

West Devon Council



West Devon
Borough
Council

Title:	Summons																														
Date:	Tuesday, 4th April, 2023																														
Time:	4.00 pm																														
Venue:	Chamber - Kilworthy Park																														
Full Members:	<p style="text-align: center;">Mayor Cllr Mott Deputy Mayor Cllr Pearce</p> <p><i>Members:</i></p> <table style="width: 100%; border: none;"> <tr> <td>Cllr Ball</td> <td>Cllr Leech</td> </tr> <tr> <td>Cllr Blackman</td> <td>Cllr Moody</td> </tr> <tr> <td>Cllr Bolton</td> <td>Cllr Moyse</td> </tr> <tr> <td>Cllr Bridgewater</td> <td>Cllr Ratcliffe</td> </tr> <tr> <td>Cllr Cheadle</td> <td>Cllr Renders</td> </tr> <tr> <td>Cllr Coulson</td> <td>Cllr Ridgers</td> </tr> <tr> <td>Cllr Crozier</td> <td>Cllr Samuel</td> </tr> <tr> <td>Cllr Davies</td> <td>Cllr Sellis</td> </tr> <tr> <td>Cllr Daniel</td> <td>Cllr Southcott</td> </tr> <tr> <td>Cllr Edmonds</td> <td>Cllr Spettigue</td> </tr> <tr> <td>Cllr Ewings</td> <td>Cllr Turnbull</td> </tr> <tr> <td>Cllr Heyworth</td> <td>Cllr Vachon</td> </tr> <tr> <td>Cllr Jory</td> <td>Cllr Wood</td> </tr> <tr> <td>Cllr Kemp</td> <td>Cllr Yelland</td> </tr> <tr> <td>Cllr Kimber</td> <td></td> </tr> </table>	Cllr Ball	Cllr Leech	Cllr Blackman	Cllr Moody	Cllr Bolton	Cllr Moyse	Cllr Bridgewater	Cllr Ratcliffe	Cllr Cheadle	Cllr Renders	Cllr Coulson	Cllr Ridgers	Cllr Crozier	Cllr Samuel	Cllr Davies	Cllr Sellis	Cllr Daniel	Cllr Southcott	Cllr Edmonds	Cllr Spettigue	Cllr Ewings	Cllr Turnbull	Cllr Heyworth	Cllr Vachon	Cllr Jory	Cllr Wood	Cllr Kemp	Cllr Yelland	Cllr Kimber	
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Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.																														
Committee administrator:	Democratic.Services@swdevon.gov.uk																														

1. Apologies for Absence

2. Confirmation of Minutes

1 - 10

To approve and adopt as a correct record the Minutes of the Meeting of Council held on 21 February 2023;

3. Declarations of Interest

In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this meeting;

4. Business brought forward by or with the consent of the Mayor

5. To respond to any questions submitted by the public and to receive deputations or petitions under Council Procedure Rules

6. To consider (any) questions submitted under Council Procedure Rules

7. To consider (any) Motions of which notice has been duly submitted by Members in accordance with Council Procedure Rule.

8. 2023/24 Capital Strategy; 2023/24 Treasury Management Strategy; and 2023/24 Investment Strategy **11 - 66**

9. To receive the Minutes of the following Committees, to note the delegated decisions and to consider the adoption of those Minutes which require approval:

(a) Overview & Scrutiny Committee - 14 February 2023 **67 - 72**

(b) Council Tax Setting Committee - 22 February 2023 **73 - 76**

(c) Development Management & Licensing Committee - 28 February 2023 **77 - 80**

(d) Audit & Governance Committee - 14 March 2023 **81 - 86**

(e) Hub Committee - 7 March 2023

87 - 92

Recommendations to agree:

HC.92/22: A Plan for West Devon: Year 3 Delivery Plan

That Council be **RECOMMENDED** to approve the minor amendments to the Year 3 Plan for West Devon delivery plans (as set out in Appendix A of the agenda report presented to the Hub Committee Meeting).

HC.93/22: Recruitment and Retention

That Council be **RECOMMENDED to** accept the recommendations of the independent report on senior officer pay, undertaken by the Local Government Association, and approve the revised pay and grading structure for the senior leadership team.

Dated this 27th day of March 2023

Andy Bates
Chief Executive

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Agenda Item 2

At the Meeting of the **WEST DEVON BOROUGH COUNCIL** held in the **COUNCIL CHAMBER, KILWORTHY PARK, TAVISTOCK** on **TUESDAY** the **21st** day of **FEBRUARY** at **2.00pm** pursuant to Notice given and Summons duly served.

Present Cllr C Mott – The Mayor (In the Chair)

Cllr K Ball	Cllr A Blackman
Cllr A Bridgewater	Cllr R Cheadle
Cllr P Crozier	Cllr L Daniel
Cllr M Davies	Cllr C Edmonds
Cllr M Ewings	Cllr N Heyworth
Cllr N Jory	Cllr C Kemp
Cllr P Kimber	Cllr T Leech
Cllr J Moody	Cllr D Moyse
Cllr B Ratcliffe	Cllr M Renders
Cllr P Ridgers	Cllr L Samuel
Cllr D Sellis	Cllr T Southcott
Cllr J Spettigue	Cllr D Turnbull
Cllr P Vachon	Cllr L Wood
Cllr J Yelland	

Chief Executive
Deputy Chief Executive
Section 151 Officer
Director of Strategy & Governance
Director of Place and Enterprise (via Teams)
Monitoring Officer
Democratic Services Manager
Head of Revenues and Benefits

CM 58/22 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllrs A Coulson and T G Pearce (who joined the meeting via Teams in a non-voting capacity)

CM 59/22 CONFIRMATION OF MINUTES

The minutes of the Council meeting held on 22 November 2022 were confirmed as a true and correct record.

CM 60/22 DECLARATIONS OF INTEREST

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

Cllrs A F Leech and J Yelland both declared an 'Other Registrable Interest' in agenda item 14 'Community Governance Review – Draft Terms of Reference (Minute CM 71/22 below refers) by virtue of being members of Okehampton Town Council. They both proceeded to leave the meeting during consideration of this item.

CM 61/22 BUSINESS BROUGHT FORWARD BY THE MAYOR

The Mayor proceeded to remind Members of her Civic Dinner that was taking place on Friday, 17 March 2023.

The Mayor also informed that she was holding a coffee morning for her chosen charity on Saturday, 25 February 2023 at Charter Hall, Okehampton. It was her intention for the event to also be an opportunity for those contemplating standing for Town, Parish or the Borough Council in the forthcoming Elections taking place in May 2023 to learn more. To that end, the Mayor advised that the Democratic Services Manager would be in attendance to provide information and answer questions and she proceeded to invite all Members along to offer their insights on being a Councillor.

CM 62/22 PUBLIC QUESTIONS

The Mayor informed the Meeting that no Public Questions had been received in accordance with the Council Procedure Rules.

CM 63/22 QUESTIONS ON NOTICE

Members noted that no Questions on Notice had been received from the membership in accordance with the Council Procedure Rules.

CM 64/22 MOTIONS ON NOTICE

The Mayor advised that no Motions on Notice had been received from the membership in accordance with the Council Procedure Rules.

CM 65/22 MINUTES OF COMMITTEES

(a) Audit and Governance Committee - 22 November 2022

It was moved by Cllr K Ball, seconded by Cllr M Davies and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the Minutes of the meeting held on 22 November 2022 be received and noted.

(b) Development Management & Licensing Committee – 8 November 2022, 13 December 2022 and 24 January 2023

It was moved by Cllr J Yelland, seconded by Cllr N Heyworth and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the Minutes of the 8 November 2022, 13 December 2022 and 24 January 2023 meetings be received and noted, with the exception of Recommendation DM&L.39”.

In respect of the Recommendation:

DM&L.39 Hackney Carriage and Private Hire Policy – Proposal to Delay Implementation of the Euro NCAP Safety Rating Standard

It was moved by Cllr J Yelland, seconded by Cllr N Heyworth and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the amended Hackney Carriage and Private Hire Policy as presented to the Development Management & Licensing Committee Meeting, be adopted.”

(c) Hub Committee – 13 December 2022 and 31 January 2023

“It was moved by Cllr N Jory, seconded by Cllr C Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the Minutes of the 13 December 2022 and 31 January 2023 meetings be received and noted with the exception of Recommendation HC.64/22, HC.75/22 and HC.77/22 parts 2-6”.

In respect of the Recommendations:

HC.64/22 Draft Revenue and Capital Budget Proposals 2023/24

“It was moved by Cllr N Jory seconded by Cllr C Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the Council continue to be part of the Devon Business Rates Pool for 2023/24, subject to there being no announcements within the Finance Settlement, which in the opinion of the S151 Officer (in consultation with the Leader of the Council and the Hub Committee Member for Resources), would change this recommendation.”

HC.75/22 Draft Revenue and Capital Budget Proposals for 2023/24

It was noted that the Recommendations contained therein were to be considered at standalone agenda item 9 ‘Draft 2023/24 Revenue and Capital Budget Proposals’ (Minute CM 66/22 below refers).

HC.77/22 Council Tax Reduction Scheme 2023-24 And Other Council Tax Discounts And Premiums

“It was moved by Cllr N Jory seconded by Cllr C Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that:

2. the Council Tax Reduction Scheme for 2023/24 be approved as follows:
 - no changes be made to Band 1 of the current banded scheme;
 - Bands 2, 3 and 4 be uplifted by 20% (above current inflation) to take into account the Cost of Living crisis;
 - the current range of earnings disregards be replaced with a single £25.00 disregard; and

- change the Minimum Income Floor by adjusting the income calculation for self-employed claimants who receive carer's allowance, personal independence payments or disability living allowance;
3. delegated authority be given to the Director of Strategic Finance, in consultation with the Lead Member for Benefits and the Head of Revenues and Benefits, to agree the uprating of working age regulations incorporated into the local Council Tax Reduction Scheme in line with those announced by the Department for Work and Pensions;
 4. officers be instructed to take immediate steps to apply the £25.00 Council Tax Support Fund payment to the 2023/24 council tax bills of eligible council taxpayers, as announced by the Government on 19 December 2022, and bring forward proposals for a discretionary scheme in late spring 2023.”

It was noted that the Recommendations 5 and 6 were to be considered at standalone agenda item 10 ‘Council Tax Discounts and Premiums’ (Minute CM 67/22 below refers).

(d) Overview & Scrutiny Committee – 15 November 2022 and 17 January 2023

It was moved by Cllr M Ewings, seconded by Cllr P Kimber and upon being submitted to the Meeting was declared to be **CARRIED** and **“RESOLVED** that the Minutes of the meetings held on 15 November 2022 and 17 January 2023 be received and noted.”

CM 66/22 DRAFT 2023/24 REVENUE AND CAPITAL BUDGET PROPOSALS

The Council was presented with a report that outlined the recommendations of the Hub Committee in respect of a series of draft revenue and capital budget proposals for 2023/24 (Minute HC.75/22 refers).

In discussion, the following points were raised:

- a) Some Members who had previously been opposed to the proposed increase in annual subscription for the Garden Waste Service indicated that, as the increase was a cost recovery measure, needed to cover the cost of providing the service, they were now minded to support the proposal;
- b) Whilst expressing his regret over the need to increase Council Tax, a Member indicated that he considered this to be a measured and prudent set of budget proposals.

It was then moved by Cllr N Jory, seconded by Cllr C Edmonds and, in line with statutory requirements, a recorded vote was then undertaken on the substantive motion. The voting was recorded as follows:

For the motion (28):- Cllrs Ball, Blackman, Bridgewater, Cheadle, Crozier, Daniel, Davies, Edmonds, Ewings, Heyworth, Jory, Kemp, Kimber, Leech, Moody, Mott, Moyses, Ratcliffe, Renders, Ridgers, Samuel, Sellis, Southcott, Spettigue, Turnbull, Vachon, Wood and Yelland.

Against the motion (0).

Abstentions (0).

Absent (3): Cllrs Bolton, Coulson and Pearce.

and it was therefore declared **CARRIED** and **“RESOLVED** that:

- i) approval be given to an increase in Council Tax for 2023/24 of £7.37 (a 2.99% increase). This equated to a Band D Council Tax of £254.00 for 2023/24 (which is an increase of 14 pence per week or £7.37 per year). This equated to a Council Tax Requirement of £5,391,371;
- ii) the financial pressures (as shown in Appendix A of the presented agenda report) of £1,928,800 be approved;
- iii) the net contributions to/(from) Earmarked Reserves of £(45,567) (as shown in Appendix A of the presented agenda report), including the proposed use of £150,000 from the Business Rates Retention Earmarked Reserve as set out in section 3.17 of the presented agenda report be approved;
- iv) the proposed use of £150,000 of New Homes Bonus funding in 2023/24 to fund the Revenue Base Budget (as set out in section 3.22 of the presented agenda report), and the proposed allocation of £78,500 of New Homes Bonus funding to the Dartmoor National Park Authority (as set out in section 3.23 of the presented agenda report) be approved;
- v) the savings of £1,110,500 (as shown in Appendix A of the presented agenda report) be approved;
- vi) the Total Net Expenditure of the Council for 2023/24 be set at £8,587,995 (as shown in Appendix B of the presented agenda report);
- vii) a garden waste subscription annual charge of £52 from April 2023 be approved (as set out in section 5.3 and Appendix G of the presented agenda report);

- viii) the proposed Capital Programme Proposals for 2023/24 of £910,000 and the proposed financing of the Capital Programme (as set out in Appendix D of the presented agenda report) (being £700,000 from the Better Care Fund funding from Devon County Council, £160,000 from NHB funding and £50,000 revenue funding from the Vehicles and Plant Earmarked Reserve) be approved;
- ix) Unearmarked Reserves should continue to have a minimum level of £900,000 (as set in the Medium Term Financial Strategy in September 2022), but an operating level of a minimum of £1.25million;
- x) in line with the requirements of Part 2 of the Local Government Act 2003, the level of reserves as set out within the presented agenda report and the assessment of their adequacy and the robustness of budget estimates be noted;
- xi) with effect from 31 March 2023, the Servaco dormant company which the Council jointly owns with South Hams District Council, be closed down.”

CM 67/22 COUNCIL TAX DISCOUNTS AND PREMIUMS

Consideration was given to a report that made recommendations on the changes to the levying of Council Tax premiums with effect from 1 April 2024 and also provided confirmation of the Council Tax discounts already in place.

The report also highlighted the changes contained within the Levelling Up and Regeneration Bill currently progressing through Parliament which would impact on Council Tax relating to second homes and long term empty dwellings.

In the ensuing discussion, a number of questions of clarity were raised that included:

- (a) A Member queried the status of empty properties that were subject to Probate. In reply, it was confirmed that such circumstances were covered within Council Tax Exemption Schemes that were already in operation nationally;
- (b) In response to questions relating to specific definitions contained within the presented agenda report, the Head of Revenues and Benefits confirmed that a ‘second home’ was confirmed as a property that was not the owner’s main residence but was furnished. In addition, whilst there was no specific definition of ‘substantially unfurnished’, for a property to be deemed furnished, it must be fit for occupation and include items such as beds, tables and chairs and white goods;

- (c) A Member sought information on how many Second Homes and Air BnB properties were located within the Borough area. In reply, the Leader confirmed this to be 650 second homes which, in the event of recommendation part 2 being approved, would generate an extra £157,000 in Council Tax for West Devon Borough Council;
- (d) A Member queried as to whether there was any evidence of how much of an impact the double Council Tax levy would make in deterring the ownership of second homes, thereby releasing properties to be homes for local people. Officers responded that there had been no detailed research or analysis into this subject;
- (e) In view of the Council having declared a Housing Crisis, a Member enquired as to whether it would be Council policy to direct the additional funds raised from Council Tax payments, to a programme of developing new affordable housing. In reply, the Leader advised that this would be a matter for the next Council administration to consider;
- (f) Members were keen to close existing loopholes that permitted Air BnB's to not only avoid all quality standards required as part of other Tourist Board accreditation schemes, but also to ensure that these properties were returned to Council Tax payment and not Business Rates liability as soon as possible.

It was then proposed by Cllr Jory, seconded by Cllr Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **"RESOLVED** that:

1. with effect from 1 April 2023, Council Tax discounts be adopted as follows:
 - The discount for unoccupied and substantially unfurnished dwellings be 100% for a maximum period of 1 month;
 - The discount for unoccupied and substantially unfurnished dwellings for 1 month to 2 years be zero;
 - The discount for dwellings which are vacant and require major repair work to render them habitable be 50% for a maximum period of 12 months;
 - The discount for unoccupied furnished dwellings (second homes) be zero;
 - An empty homes premium of an additional 100% be levied on dwellings that have remained unoccupied and substantially unfurnished for at least two years, but less than 5 years;
 - An empty homes premium of an additional 200% be levied on dwellings that have remained unoccupied and substantially unfurnished for at least five years, but less than 10 years; and

- An empty homes premium of an additional 300% be levied on dwellings that have remained unoccupied and substantially unfurnished for at least 10 years.
- 2. subject to the Levelling Up and Regeneration Bill receiving Royal Assent, from 1 April 2024, the current 100% premium for dwellings which are unoccupied and substantially unfurnished be levied after a period of one year.
- 3. subject to the Levelling Up and Regeneration Bill receiving Royal Assent, from 1 April 2024, a premium of 100% be levied on all dwellings which are unoccupied and substantially furnished (second homes).”

CM 68/22 BUSINESS RATES RELIEF: 2023/24 RETAIL, HOSPITALITY AND LEISURE SCHEME AND 2023 SUPPORTING SMALL BUSINESS RELIEF

The Council considered a report that set out changes to discretionary relief for business rates announced as part of the Autumn Budget 2022.

In discussion, Members sought further detail on what types of business were eligible for Business Rate Relief as a result of the changes and whether or not small independent chains would qualify.

Members were disappointed to learn that Air BnBs would qualify for Rate Relief if they were entered in the Rating List and reiterated their wish for the existing loopholes permitting this to be closed as soon as was practically possible.

It was then proposed by Cllr P Crozier, seconded by Cllr N Jory and upon being submitted to the Meeting was declared to be **CARRIED** and **”RESOLVED** that:

- 1. the Business Rates Relief: 2023/24 Retail, Hospitality and Leisure Scheme Policy (as set out at Appendix A to the presented agenda report) be approved; and
- 2. the implementation of the 2023 Supporting Small Business Relief scheme be approved.”

CM 69/22 CIVIC ALLOWANCES REVIEW

Further to the Council meeting of 22 November 2022 at which the Independent Remuneration Panel were requested to convene to consider the Allowances payable to the Borough Mayor and Deputy Mayor (Minute CM 52/22 refers), the Council considered a report that presented the recommendations of the Independent Remuneration Panel on the Civic Allowances.

It was then proposed by Cllr Jory seconded by Cllr Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **"RESOLVED** that:

1. the Civic Allowances be retained at:
 - Mayor: £3,000 per annum; and
 - Deputy Mayor: £825 per annum; and
2. the Civic Allowance be reviewed again as part of the detailed review to be undertaken by the Independent Panel on Members Allowances during the early Autumn of 2023."

CM 70/22 DRAFT CALENDAR OF MEETINGS 2023/24

Consideration was given to a report that presented the draft Calendar of Meetings for 2023/24 for adoption.

In discussion, Members queried the planned start time of meetings listed in the proposed calendar, suggesting that meetings held later in the day might help to encourage more working people to stand for Council. In response, it was suggested that this would be a matter for the new Council to consider following the forthcoming election in May 2023.

It was then proposed by Cllr Jory, seconded by Cllr Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **"RESOLVED** that the draft Calendar of Meetings for 2023/24 set out at Appendix A of the presented report be approved."

CM 71/22 COMMUNITY GOVERNANCE REVIEWS - DRAFT TERMS OF REFERENCE

The Council considered a report that sought approval for the Terms of Reference for two Community Governance Reviews, for Sydenham Damerel and Okehampton respectively, instigated by the receipt of two public Petitions submitted to the Council meeting of 22 September 2022 (Minute CM 38/22 refers)

It was then proposed by Cllr Jory, seconded by Cllr Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **"RESOLVED** that the Community Governance Review draft Terms of Reference (as set out at Appendix A of the presented agenda report) be approved."

CM 72/22 PAY POLICY STATEMENT

In line with the requirements of the Localism Act 2011, Members considered a report proposing adoption of the Pay Policy Statement for 2022/23.

During the ensuing discussion, Members stated that the Council's Senior Leadership Team represented excellent value for money particularly when compared to private sector equivalents and bearing in mind that they were shared across two local authorities.

It was then proposed by Cllr Jory, seconded by Cllr Edmonds and upon being submitted to the Meeting was declared to be **CARRIED** and **"RESOLVED** that the Pay Policy Statement for 2022/23 as set out at Appendix A of the presented report be agreed."

(The Meeting terminated at 3.15 pm)

Mayor

Report to: **Council**

Date: **4 April 2023**

Title: **2023/24 Capital Strategy, 2023/24 Treasury Management Strategy and 2023/24 Investment Strategy**

Portfolio Area: **Performance and Resources – Cllr C Edmonds**

Wards Affected: **All**

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

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance (S151 Officer)**
Clare Scotton **Principal Accountant**

Contact: **01803 861413 lisa.buckle@swdevon.gov.uk**
01803 861559 clare.scotton@swdevon.gov.uk

RECOMMENDATIONS:

1. That the Council approves the following strategies for 2023-24:
 - a. Capital Strategy (as attached at Appendix A)
 - b. Treasury Management Strategy (as attached at Appendix B)
 - c. Investment Strategy (as attached at Appendix C)
2. That delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council and the Hub Committee Member for Resources, to make any minor amendments to these Strategies if required throughout the 2023/24 Financial Year.

1. Executive summary

- 1.1 This report recommends to Council, approval of the proposed Capital Strategy, Investment Strategy and Treasury Management for 2023/24, together with their associated prudential indicators.

- 1.2 Revised reporting is required since the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans and greater reporting requirements surrounding any commercial activity undertaken.
- 1.3 The current guidance for a Council's level of borrowing is the Prudential Code (2021) and as "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

Capital Strategy - As from 2019/20, all local authorities are required to prepare an additional Capital Strategy report. The Capital Strategy for 2023/24 is attached in Appendix A.

In 4.3, the Capital Financing Requirement, the measure of the Council's underlying need to borrow for the capital programme, has been projected to be £24.0 million for 2023/24. This includes borrowing for leisure, waste fleet, Kilworthy Park, Springhill and four investment properties.

Investment Strategy - The guidance includes a new requirement for Councils to prepare an Investment Strategy since 2019/20. Councils are required to prepare indicators that enable Members and the public to assess the Council's investments and the decisions taken. The new indicator measures net commercial income as a percentage of net service expenditure and total investment exposure.

Treasury Management Strategy - Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

- 1.4 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout all three of the Strategies presented for approval.
- 1.5 The three strategies were considered and scrutinised by the Audit and Governance Committee at their meeting on 14 March 2023. (Minute Reference AC26).

2. Outcomes/outputs

- 2.1 In light of the recent raise in interest rates, the budget for investment income has increased for 2023/24 and has been set at £400,000.
- 2.2 External treasury management training (by Link Group) was arranged for all Members in March 2021 to ensure Members have up to date skills to continue to make capital and treasury management decisions. This training will take place every two years and it is planned that the next session will be carried out in the Summer of 2023 as part of the Member Induction programme.

3. Options available and consideration of risk

- 3.1 It is a statutory requirement for the Council to annually approve its Capital Strategy, Treasury Management Strategy and Investment Strategy.

4. Proposed Way Forward

- 4.1 That Council approves the Capital Strategy (Appendix A), Treasury Management Strategy (Appendix B) and Investment Strategy (Appendix C) for 2023/24.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The elements set out in paragraph 2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.</p> <p>It is within the Terms of Reference of the Audit and Governance Committee to receive regular reports on the treasury management function.</p> <p>It is within the Terms of Reference of the Hub Committee to receive regular monitoring reports on the Council's Capital Programme and Capital Plans.</p> <p>It is within the Terms of Reference of the Council to annually approve the Capital Strategy, Treasury Management Strategy and Investment Strategy.</p>
Financial implications to include reference to value for money	Y	<p>Good financial management and administration underpins the entire treasury management strategy. The budget for investment income for 2023/24 has been set at £400,000.</p>
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council produces an Annual Capital Strategy, Investment Strategy and Treasury Management Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Hub Committee as part of budget monitoring reports.</p>
Consultation and Engagement Strategy	N	<p>External consultation and engagement has not been undertaken with regard to this report.</p>

Supporting Corporate Strategy		The treasury management function supports all of the Thematic Delivery Plans within 'A Plan for West Devon'.
Climate Change - Carbon / Biodiversity Impact		<p>The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects, but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.</p> <p>The Council declared a Climate Change and Biodiversity Emergency on 23 July 2019 and a Climate Change Action Plan was presented to Council in December 2019.</p> <p>Further detail is set out in the Council's 'A Plan for West Devon' strategy.</p>
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Capital Strategy 2023/24

Appendix B – Treasury Management 2023/24

Appendix C – Investment Strategy 2023/24

Background Papers:

None

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APPENDIX A

Capital Strategy 2023/24

1 Introduction

1.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- A high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how associated risk is managed
- The implications for future sustainability

2 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, e.g. property/ vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, e.g. assets costing below £10,000 are not capitalised and are charged to revenue in the year.

2.2 As at the end of January 2023, the Council has incurred capital expenditure of £1,585,086 and will incur further capital expenditure by the end of March 2023. The Council capital expenditure is summarised below:

Capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Services (including Housing)	1,103,000	2,007,000	3,364,000	104,000	60,000
Okehampton Transport Hub (see 2.3)	0	85,000	2,500,000	10,870,000	0
Total	1,103,000	2,092,000	5,864,000	10,974,000	60,000

Transport Hub

- 2.3** West Devon Borough Council has been successful in a £13.4million bid to develop a new railway station and integrated transport hub on the Eastern edge of Okehampton. The plans will see the construction of a brand new, purpose built station and car park, which will be easily accessible from the nearby A30, built at the bottom of Devon County Council's business park off Exeter Road. The aim is to create an area with facilities for bus connections, cycle links and electric vehicle charging. The Borough Council will be the accountable body for the capital project and the estimated capital expenditure (profiled over the next three financial years) has been included within the Council's capital expenditure estimates within the strategy. The funding will be provided by the Department for Levelling Up Housing and Communities (DLUHC) and the project will be delivered in partnership with Devon County Council and OkeRail.

Housing Projects

- 2.4** A Housing crisis was declared by the Council at its meeting on the 15th February 2022. The motion to Council contained 15 actions, a combination of direct lobbying, some longer term strategic work streams and bringing into focus work already in progress. The business case for individual projects to proceed to construction will be presented to Council for approval at the appropriate time.

Regeneration and Investment Strategy

- 2.4** The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). To date, Investment Properties have a value of £19.12 million in aggregate as at 31 March 2022.

Overall Borrowing Limit

- 2.5** In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £50 million. As at the end of January 2023, the Council's current level of external borrowing is £27.9m.
- 2.6** Local Authorities are required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. This is updated on at least an annual basis. PWLB borrowing is permitted for the four categories of regeneration, service delivery, housing and refinancing.

Governance

- 2.7** The Head of Finance Practice invites bids for capital funding from all service managers annually on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids are ranked against a prescribed priority criteria which is set out in the bid process. Submitted capital bids are assessed against the categories in each priority. Priority 1 categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, Disability Discrimination Act etc.) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives. The final capital programme is then presented to Hub Committee and to Council in February each year.
- 2.8** All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above capital expenditure is as follows:

Financing of capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	1,103,000	2,092,000	5,864,000	10,974,000	60,000
Financed by:					
External sources (Capital grants, NHB, S106)	607,000	*1,622,000	*3,597,000	*10,870,000	0
Own resources (Capital receipts, Earmarked reserves)	334,000	470,000	1,869,000	10,000	60,000
Net financing need for the year (This is the prudential borrowing required)	162,000	0	398,000	94,000	0

*This includes Government Grant funding from the Department for Levelling Up Housing and Communities (DLUHC) for the Okehampton Transport Hub

- 2.9** Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Replacement of debt finance	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
MRP	623,000	647,000	660,000	673,000	696,000
Use of capital receipts	0	0	0	0	0

3 Treasury Management

- 3.1** Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.
- 3.2** The Council is typically more cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.3** As at 31 January 2023, the Council had external borrowing of £27.9 million.
- 3.4** As at 30 September 2022, the Council held £27.9m of Investments.

4 Borrowing Strategy

- 4.1** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future.
- 4.2** These objectives are often conflicting, and the Council therefore will seek to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.
- 4.3** Projected levels of the Council's total outstanding debt which comprises borrowing is shown below, compared with the capital financing requirement.

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
Debt at 31 March	28,341,000	27,726,000	27,013,000	26,371,000	25,625,000
Capital Financing Requirement	24,900,000	24,253,000	23,991,000	23,412,000	22,716,000

4.4 The Capital Financing Requirement is the measure of the Council's underlying need to borrow for the capital programme. This has been projected to be £23.9 million for 2023/24. This includes borrowing for leisure, waste fleet, Kilworthy Park, Housing projects and four investment properties.

5 Investment Strategy

5.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

5.2 The Council's policy on treasury investments is to prioritise security and liquidity over yield, i.e. to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

5.3 Money that will be held for longer terms is invested more widely including in collective investment schemes (pooled funds whose underlying assets are company shares, bonds, property etc.). One example of which is the CCLA Local Authorities' Property Fund in which the Council is invested to balance the risk of loss against the risk of receiving returns below inflation.

5.4 Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

5.5 Further details on treasury investments can be found in the treasury management strategy (Appendix B).

Governance

- 5.6** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director for Strategic Finance (S151 Officer) and finance staff (where appropriate), who must act in line with the treasury management strategy approved by Council.
- 5.7** Semi-annual reports on treasury management activity are presented to the Audit and Governance Committee which is responsible for scrutinising treasury management decisions.

6 Investments for Service Purposes

6.1 Governance

Decisions on service investments are made by the relevant service manager in consultation with the Corporate Director for Strategic Finance (Section 151 Officer) and must meet pre-approved criteria and limits. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

7 Risk Management and Due Diligence

- 7.1** The Council accepts there is a higher risk on property investments than with treasury investments. Financial risk will be weighed up against social and economic benefits of the investment. The principal risk exposures include variances resulting in a disruption or fall in income streams, fall in capital value which is either site-specific or due to general market conditions, deterioration in the credit quality of the tenant.
- 7.2** The Council assesses the risk of loss before entering into and whilst holding property investments/property opportunities by carrying out appropriate due diligence checks and implementing mitigation measures in managing risk:
- The tenants need to be of good financial standing (this is assessed using Dun & Bradstreet credit rating reports and annual accounts). The number of tenants e.g. sole tenant or multi tenanted will be assessed.
 - The property condition such as date of construction and any imminent or significant refurbishment or modernisation requirements (forecast capital expenditure).
 - How the property investment, financial or non-specified investment meets the Council's multiple objectives as set out in the Council's strategy.
 - The lease must meet certain standards, such as being in a commercial popular location and have a number of years left on the lease providing a certain and contractually secure rental income stream into the future. Any break clauses will be assessed along with the number of unexpired years, bank guarantees and rent reviews.

- The location will be within West Devon Borough Council's boundary. The population of the catchment area, the economic vibrancy and known or anticipated market demand as well as proximity to travel infrastructure and other similar properties will be assessed.

Future borrowing from the Public Works Loan Board must meet one of the four permitted categories of borrowing of regeneration, service delivery, housing or re-financing of existing debt.

- Rental income paid by the tenant must exceed the cost of repaying the borrowed money from the Public Works Loan Board (which is itself funded by the Government). The surplus is then an ancillary benefit which supports the Council's budget position and enables the Council to continue to provide services for local people.
- The gross and net yield are assessed against the Council's criteria.
- The prevailing interest rates for borrowing at the time.
- Debt proportionality considerations.
- The life and condition of the property is assessed by a valuer and the borrowing is taken out over the life of the asset. The amount of management and maintenance charges are assessed as well as the ease of in-house management. 10% of all rental income (or an amount as deemed prudent) is put into a Maintenance and Management Reserve to cover any longer-term maintenance issues.
- The potential for property growth in terms of both revenue and capital growth will be assessed.
- The risks are determined by the property sector e.g. office, retail, industrial, associated with specific properties and the mix of sectors within the Council's portfolio.
- Details of acquisition costs e.g. stamp duty land tax, legal costs
- The documented exit strategy for a purchase/new build.
- The legal and technical due diligence checks will also identify any specific problems such as anomalies in the title deed, restrictive use classes, indemnities, local competition, construction or refurbishment requirements.
- The Council engages the use of external advisors to assist in undertaking elements of the due diligence checks such as technical, legal, accounting, property and taxation advice.

- The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below that forecasted. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.

7.3 Risk of loss shall be assessed on a case by case basis as part of the acquisition due diligence and will be a criteria considered throughout the approval process. Risk of loss during the management phase of the investment shall be reported in accordance with the criteria below. In accordance with Para 23-25 of Statutory Guidance on Local Government Investments, quantitative indicators or risk and portfolio performance will be reported to the Audit and Governance Committee. The frequency of this reporting is anticipated to be every 6 months and will include the following indicators (as applicable):

- Rental value by property
- Rental value by tenant
- Sector split by purchase price
- Purchase price
- Rental income profile
- Tenant lease length
- Gross Yield
- Management, Maintenance and Risk Mitigation Reserve (MMRM)
- Current value

Governance

7.4 Acquisitions must conform to the adopted Regeneration and Investment Strategy. Any deviation from the agreed Strategy will require Council approval. The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022).

7.5 The Council's Senior Leadership Team will initially consider each proposal as an initial step and recommend that the proposal proceeds in principle.

7.6 The Regeneration and Investment Committee will consider and evaluate (in accordance with this Strategy) proposals for acquisition of assets on a case by case basis, and will make any necessary recommendations to the Head of Paid Service and Section 151 Officer who will make a decision in consultation with the Leader of the Council and Chairman of the Regeneration and Investment Committee.

7.7 The Council will consider debt proportionality (the amount borrowed to date against the net service expenditure ratio) on a case by case basis for each acquisition as part of the decision making process. Investment indicators are set out within the Council's Treasury Management Strategy.

- 7.8** The Council undertakes sensitivity analysis of the interest repayments on its borrowing requirements as a percentage of its available reserves to ensure there is sufficient coverage in the event that rental income is below forecast. The Council also sets aside 10% annually of all rental income and other income into a Maintenance, Management and Risk Mitigation (MMRM) Reserve. This is part of the Council's contingency arrangements.
- 7.9** Specialists will be commissioned to act on behalf of the Council to source suitable properties and manage the acquisition due diligence process.
- 7.10** Before a final decision is made to proceed with an acquisition, local ward Members will be briefed and be able to share their views with the Regeneration and Investment Committee.
- 7.11** Development proposals on Council owned land must also conform to the objectives of the Regeneration and Investment Strategy.
- 7.12** Unlike investment acquisitions however, they shall not benefit from the same scheme of delegation. Instead, approvals must be sought through the Hub Committee and Full Council process. Decisions on in area development shall consider, as appropriate, the views of the local Members and key stakeholders (Town Council / Parish Council) as one of many aspects of any projects brought forward.

Debt Proportionality

- 7.13** The investment strategy considers the risks of investment and the Council engaged Treasury Management advisors to analyse the level of debt proportionality to the Council's finances (e.g. levels of reserves, asset base and level of interest costs as a percentage of income).
- 7.14** Investment Property acquisitions expand the Council's balance sheet and interest costs will form a higher percentage of locally derived income. It would absorb a high level of reserves if there are shortfalls in or disruption to the income stream required to meet the additional expenditure.
- 7.15** Sensitivity analysis on the level of debt interest against the Council's level of reserves is considered as part of the Medium Term Financial Strategy and as part of the budget proposals each year. This ensures that the Council has the available reserves to enable service delivery to be maintained in the short to medium term, whilst alternative solutions are implemented.
- 7.16** In order that investments remain proportionate to the size of the Council, borrowing for the Regeneration and Investment Strategy is subject to an overall limit (for all Council services) of £50 million.
- 7.17** The Council set an upper limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £50 million. Interest payments at 4% would equate to 21.7% of available reserves (Appendix F to the Budget Proposals report for 2023/24 – Council 21st February 2023).

Liquidity

- 7.19** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will spread its liquidity profile across its portfolio and also have a spread of the sector in which the Council invests. The Council also documents potential exit strategies as part of its due diligence checks.
- 7.20** Liquidity will be a factor in determining the amount of rent set aside in the Maintenance Management and Risk Mitigation Reserve for each investment which has a balance in excess of £450,000 as at 31 March 2023. This will be reviewed with the same frequency as the risk reporting procedure set out in the Council's Commercial Investment Strategy.

8 Asset Management

- 8.1** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place.
- 8.2** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.
- 8.3** Repayments of capital grants, loans to third parties for capital expenditure and investments also generate capital receipts.
- 8.4** The Council estimates to receive nil capital receipts in the coming financial year as follows:

Capital Receipts	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Asset sales	0	0	0	0	0
Loans repaid	0	0	0	0	0
TOTAL	0	0	0	0	0

9 Liabilities

Governance

- 9.1** Decisions on incurring new discretionary liabilities are taken by Head of Practice in consultation with the Corporate Director for Strategic Finance (Section 151 Officer).
- 9.2** The risk of liabilities crystallising and requiring payment is monitored as part of the budget monitoring and reported to the Hub Committee quarterly.

10 Revenue Budget Implications

- 10.1** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

Proportion of financing costs to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs	1,333,593	792,822	978,480	977,489	986,200
Proportion of net revenue stream	18.3%	10.2%	11.4%	11.9%	11.8%

- 10.2** Further details on the revenue implications of capital expenditure are included in the Revenue Budget.

Sustainability

- 10.3** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.
- 10.4** The Corporate Director of Strategic Finance (S151 Officer) is satisfied that the proposed capital programme is prudent, affordable and sustainable and it is fully integrated with the Council's 2023/24 Medium Term Financial Strategy, Treasury Management Strategy and Investment Strategy and other strategic plans. The Capital Strategy is compiled in line with the requirements of the 2021 CIPFA Prudential Code and 2021 Treasury Management Code. The risks associated with the Investment Strategy are covered within the Strategy.
- 10.5** The delivery of the individual capital schemes on the plan is directly linked to the original approval of the capital project supported by each project having a project lead who is responsible for the delivery of the project (appropriate skills, contracting, planning etc.) and the subsequent achievement of the objectives of that project.
- 10.6** Members, via the Hub Committee meetings receive quarterly budget monitoring reports on the Council's Capital Programme as well as quarterly integrated performance management reports. Through these updates, which are driven by the requirement of financial reporting, Members can review and challenge the delivery of projects and any changes to both the timing and expenditure of the capital project.

- 10.7** If subsequent to the capital project being completed there are variations to the income expected to be generated from that asset, this will be reported as a variance in the quarterly budget monitoring reporting and if ongoing will be included in the following year's revenue budget proposals.
- 10.8** The Council's Senior Leadership Team has oversight for the delivery of and challenge to the Capital Strategy and Capital Programme.

Affordability

- 10.9** Affordability is critical in applying the capital strategy and approving projects for inclusion in the capital programme. This is either demonstrated by a report on the project being presented to Hub/Council for approval supported by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme, or by delegated procedures set out within the commercial investment strategy (containing this information).
- 10.10** All projects need to have a clear funding source. If external funding such as an external grant is to be used, there needs to be a clear funding commitment.
- 10.11** Affordability of each project needs to be clear, not only for the funding of the capital spend, but also to cover any ongoing costs of the operation and funding of that capital spend.
- 10.12** Where borrowing is to be used, the affordability is of greater importance and the affordability has to include the interest costs of that borrowing and the provision for the repayment of the borrowing (MRP). This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The rules around the governance of this borrowing are outlined in the Prudential Code (as summarised above).
- 10.13** At no stage should the asset value be lower than the value of outstanding debt unless there is a clear plan to mitigate that shortfall or to sell that asset.

Risks

- 10.14** The risks associated with a significant Capital Programme and a significant level of borrowing can be mitigated through all capital projects being supported by a business case, having adequate project management and/or project boards, suitable skills for the delivery of the project, tax planning, cash flow, clear operational plan for the use of the asset, security and due diligence on loans and purchases, use of external advice where appropriate, project contingencies, full tender process and regular and transparent reporting to Members.

- 10.15** There are clear links from the capital strategy to both the treasury management strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members at the Audit and Governance Committee and Council. For any new borrowing, and this is a greater risk as the value of borrowing increases, this does increase the Council's overall liabilities that will need to be repaid in the future.
- 10.16** In addition, this increases the Council's level of fixed interest and repayment costs that it will incur each year. In 2023/24 the borrowing liability is estimated at £27.0 million with ongoing financing costs of the borrowing of approx. £1.4m. This is a clear risk that all Members need to be aware of.
- 10.17** However this risk for assets is mitigated by a robust business case and a MRP that will repay the borrowing costs over a (prudent) asset life. Any variations from this are set out in the MRP Policy (section 2.5 of the Treasury Management Strategy). Any variation in expected income is an issue, however given the wide range of operational assets and different income streams this helps to mitigate this risk.
- 10.18** As outlined above in the position statement, investment properties have a different type and level of risk. Risk arises from both variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council has established a clear strategy, criteria and a governance route for these purchases which has included member training, second opinion on asset values, due diligence, site visits, surveys etc.
- 10.19** There are risks (and rewards) associated with the purchase of these type of assets, therefore all Members need to have sight of and understand the risks and rewards inherent in these commercial investments (development opportunities).

11 Knowledge and Skills

- 11.1** The Council employs professionally qualified and experienced staff in senior positions with responsibility for recommending capital expenditure, borrowing and investment decisions to Members.
- 11.2** The Director of Place & Enterprise is a Chartered Civic Engineer with 19 years of experience. In addition, the Director of Place & Enterprise holds a MSc in Construction Law.
- 11.3** The Corporate Director of Strategic Finance (S.151 Officer) is a Chartered Accountant (ICAEW) with 19 years of experience of being a S151 Officer (Chief Finance Officer). In addition, the Corporate Director for Strategic Finance holds a BSc in Mathematics and has previously worked in the private sector for accountancy firms.

- 11.4** The Principal Estates Specialist is a Chartered Surveyor, with over 15 years post qualification experience.
- 11.5** The Monitoring Officer is a qualified solicitor with over 20 years public sector experience.
- 11.6** Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The appropriate expertise is always resourced in relation to any financial, legal and asset related due diligence required. A list is below of advisers that the Council has used in the past:-
- Link Group – Treasury Management Advice
 - Savills – Property Agents
 - JLL – Property and Technical Consultants
 - Arcadis – Building Surveyors and Engineers
 - Womble Bond Dickinson – Solicitors
- 11.7** This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 11.8** External treasury management training (by Link Group) for Members will be carried out every two years to ensure Members have up to date skills to continue to make capital and treasury management decisions. Training was last completed in March 2021 and it is planned that the next session will be carried out in the late Summer of 2023 as part of the Member Induction programme.

Treasury Management Strategy Statement 2023/24

1. Introduction

1.1 Background

- 1.1.1 The Council is required to operate a balanced revenue 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.
- 1.1.2 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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.1.5 CIPFA defines treasury management as:
- “The management of the local authority’s borrowing, 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.”*

1.2 Reporting Requirements

Capital Strategy

- 1.2.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 1.2.2 The aim of this capital strategy is to ensure that all elected Members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 1.2.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy – Minimum Revenue Provision);
 - For non-loan type investments, the cost against the current market value;
 - The risks associated with each activity.
- 1.2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 1.2.5 The Capital Strategy sets out details of the Council's Investment Strategy, which included multiple objectives: (a) to support regeneration and the economic activity of the Borough, the LEP area and the South West Peninsula (in that priority order) (b) to enhance economic benefit (c) to grow business rate income (d) to assist with the financial sustainability of the Council as an ancillary benefit and (e) to help continue deliver and/or improve frontline services in keeping with its adopted strategy and objectives.

- 1.2.6 The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). PWLB borrowing is permitted for the four categories of regeneration, service delivery, housing and refinancing.
- 1.2.7 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
- 1.2.8 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management Reporting

- 1.2.9 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- a. Prudential and treasury indicators and treasury strategy** (this report) -
The first, and most important report is forward looking and 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 annual investment strategy, (the parameters on how investments are to be managed).
- b. A mid-year treasury management report** – This is primarily a progress report and will update Members on the capital position, amending treasury and prudential indicators as necessary, and whether any policies require revision.
- c. An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

1.2.10 The above reports are required to be adequately scrutinised before being approved by Council. Periodic Treasury Management reports are reported to the Audit Committee for this purpose.

1.3 Treasury Management Strategy for 2023/24

1.3.1 The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- 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
- the policy on use of external service providers.

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

1.4 Training

1.4.1 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Training was last completed in March 2021 and it is planned that the next session will be carried out in late Summer 2023 as part of the Member Induction programme.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury Management advisors

1.5.1 The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

- 1.5.2 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 the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.
- 1.5.3 It also recognises that there is value in procuring 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 and documented, and subjected to regular review.
- 1.5.4 The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions), and other types investment, such as investment properties. The Council currently has four investment properties. The Council's negotiating team includes the Strategic Director of Place and Enterprise and the S.151 Officer, who are both members of the Senior Leadership Team. Both Officers are aware of the core principles of the prudential framework and of the regulatory regime within which Local Authorities operate. The S.151 Officer has attended specific treasury management training courses around the new DLUHC Guidelines on investments and the accounting treatment.
- 1.5.5 Investments require specialist advisors and the appropriate expertise is always resourced in relation to these activities. The specialist advisors that have been used in the past include:
- Link Group – Treasury Management Advice
 - Savills – Property Agents
 - JLL – Property and Technical Consultants
 - Arcadis – Building Surveyors and Engineers
 - Womble Bond Dickinson – Solicitors

2 The Capital Prudential Indicators 2023/24 – 2025/26

2.1 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 confirm capital expenditure plans.

2.2 Capital Expenditure

2.2.1 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:

Capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Services (including housing)	1,103,000	2,007,000	3,364,000	104,000	60,000
Okehampton Transport Hub (see note 1 below)	0	85,000	2,500,000	10,870,000	0
Total	1,103,000	2,092,000	5,864,000	10,974,000	60,000

Note 1 - West Devon Borough Council has been successful in a £13.4million bid to develop a new railway station and integrated transport hub on the Eastern edge of Okehampton. The Borough Council will be the accountable body for the capital project and the estimated capital expenditure (profiled over the next three financial years) has been included within the Council's capital expenditure estimates within the strategy. The funding will be provided by the Department for Levelling Up Housing and Communities (DLUHC) and the project will be delivered in partnership with Devon County Council and OkeRail. This has been included in the capital expenditure estimates in the table above.

2.2.2 Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

2.2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	1,103,000	2,092,000	5,864,000	10,974,000	60,000
Financed by:					
External sources (Capital grants, NHB, S106)	607,000	*1,622,000	*3,597,000	*10,870,000	0
Own resources (Capital receipts, Earmarked reserves)	334,000	470,000	1,869,000	10,000	60,000
Net financing need for the year (This is the prudential borrowing required)	162,000	0	398,000	94,000	0

** This includes Government Grant funding from the Department for Levelling Up Housing and Communities (DLUHC) for the Okehampton Transport Hub*

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

- 2.3.1 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 (e.g. capital receipts). It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR, if it is funded by borrowing.
- 2.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP – capital repayment of the borrowing) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.
- 2.3.3 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 by the lease provider and so the Council is not required to separately borrow for these schemes. The Council does not currently have any such schemes within the CFR.

2.3.4 The Council is asked to approve the CFR projections below:

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
Capital Financing Requirement					
CFR – services (including housing)	4,389,000	3,984,000	3,969,000	3,644,000	3,208,000
CFR - Non-financial investments	20,511,000	20,269,000	20,022,000	19,768,000	19,508,000
Total CFR	24,900,000	24,253,000	23,991,000	23,412,000	22,716,000
Movement in CFR	(461,000)	(647,000)	(262,000)	(580,000)	(696,000)

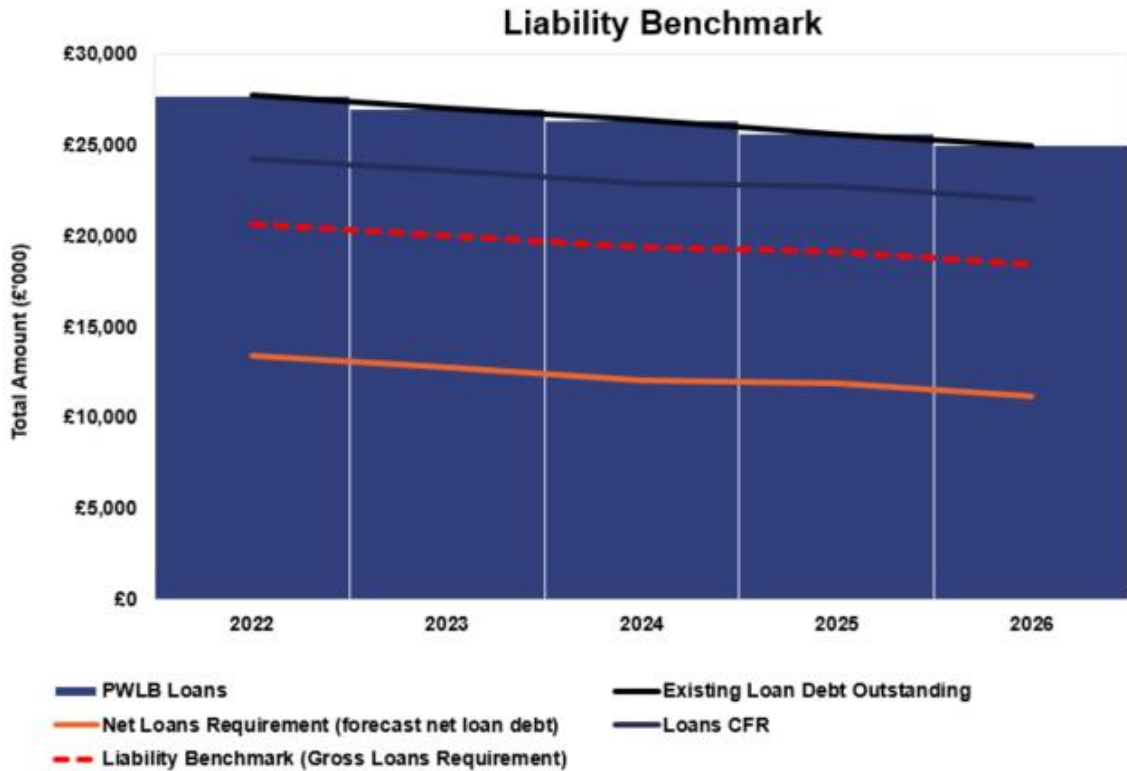
Movement in CFR represented by					
Net financing need for the year (above)	162,000	0	398,000	94,000	0
Less MRP/VRP and other financing movements	(623,000)	(647,000)	(660,000)	(674,000)	(696,000)
Movement in CFR	(461,000)	(647,000)	(262,000)	(580,000)	(696,000)

2.4 Liability Benchmark

2.4.1 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

2.4.2 There are four components to the LB: -

- **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



2.4.3 This chart shows that PWLB loans currently exceed the Loans CFR. As other capital projects come on stream and expenditure is incurred, this will bring the loans back in line with the CFR.

2.4.4 As housing projects come on stream and expenditure is incurred, this will reduce the over-borrowing position in future years.

2.5 Core Funds and Expected Investment Balances

2.5.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	10,679,000	9,679,000	9,179,000	8,679,000	8,179,000
Capital receipts	56,000	36,000	6,000	6,000	6,000
Provisions	921,000	900,000	900,000	900,000	900,000
Other	(511,000)	250,000	250,000	250,000	250,000
Total core funds	11,145,000	10,865,000	10,335,000	9,835,000	9,335,000
Working capital*	13,179,000	13,000,000	13,000,000	13,000,000	13,000,000
(Under)/over borrowing**	3,442,000	3,473,000	3,021,000	2,959,000	2,909,000
Expected cash position	27,766,000	27,338,000	26,356,000	25,794,000	25,244,000

* Working capital balances shown are estimated year-end; these may be higher mid-year.

** As housing projects come on stream and expenditure is incurred, this will reduce the over-borrowing position in future years.

2.6 Minimum Revenue Provision (MRP) Policy Statement

2.6.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). **The MRP is the capital repayment of any borrowing.**

2.6.2 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

2.6.3 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR.

2.6.3 This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

- 2.6.5 From 1 April 2008 for all unsupported borrowing the MRP policy will be:
- **Asset life (equal instalment) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
 - **Asset life (annuity) method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);
- 2.6.6 These options provide for a reduction in the borrowing need over the asset's life.
- 2.6.7 The asset life methods are simple to operate and gives certainty in each year as to the level of charge applied. The other advantage is that they make business cases and scheme appraisals easier to compile. The annuity method is intended to have the advantage of linking MRP to the flow of benefits from an asset where these are expected to increase in later years. The annuity method gives rise to a lower charge in the early years, which steadily increases over the asset life. This approach means that the MRP for repayment of the debt liability will increase each year over the life of the asset, as the proportion of the interest calculated each year reduces and the principal repayment increases.
- 2.6.8 With all options, MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'.
- 2.6.9 However, MRP guidance has been issued, which makes recommendations to Councils on the interpretation of that term. Councils are legally obliged to 'have regard' to the guidance. The Council's policy will be that MRP will not normally commence until the start of the financial year following the one in which the expenditure was incurred and the asset became operational. The Council will postpone making MRP until the financial year following the one in which the asset becomes operational.
- 2.6.10 **MRP Overpayments** - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2022 the Council had no VRP overpayments.

3 Borrowing

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. 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 and the Council's capital strategy. 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 / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 Current Portfolio Position

3.2.1 The overall treasury management portfolio as at 31 March 2022 and for the position as at 31 January 2023 are shown below for both borrowing and investments.

Treasury Portfolio	31 March 2022 Actual		31 January 2023 Current	
Treasury Investments:				
Short term – fixed	17,200,000	0.74%	19,200,000	1.91%
Money Market Funds	9,650,000	0.38%	10,200,000	1.83%
CCLA – Local Authority Property Fund	553,000	3.25%	553,000	3.25%
Total treasury investments	27,403,000		29,953,000*	
Treasury External Borrowing				
PWLB	28,341,000	2.54%	27,947,000	2.54%
Total external borrowing	28,341,000		27,947,000	
Net treasury investments / (borrowing)	(938,000)		2,006,000	

**The Council's investments mid way through the year are always higher than at the year end due to the cashflow advantage that the Council benefits from part way through the year from the collection of Council Tax, before these are paid out to precepting authorities.*

3.2.2 The Council has approved a Regeneration and Investment Strategy (Minute Reference CM72, Council 5th April 2022). PWLB borrowing is permitted for the four categories of regeneration, service delivery, housing and refinancing.

3.2.2 The Council's current Non-Treasury Investment portfolio position is summarised below.

Asset	Purchase Price (£)	Year Purchased	Asset life for the calculation of MRP (Years)	Value at 31 March 2022* (£)
Bristol property	10,200,708	2018/19	50	10,860,000
Okehampton property	3,365,000	2018/19	50	3,110,000
Industrial units at Exeter	3,500,000	2018/19	50	3,350,000
Industrial units at Plymouth	1,700,000	2018/19	50	1,800,000
TOTAL	18,765,708			19,120,000

*following fair value adjustments

3.2.4 The Fair Value Valuation at 31.3.2022 of the four investment properties was £19.120 million.

3.2.5 Indicators for the Council's Non-Treasury Investment portfolio are shown below.

Non-Treasury Investment Indicators	Actual 2021/22	Estimate as at 31 Mar 23
Total investment income as a proportion of the Council's Net Budget	3.91%	3.57%
Borrowing for Non-Treasury investments as a proportion of the Council's Net Budget	288.22%	268.34%
Investment income from Investment Properties compared to the interest expense incurred by them	216.57%	217.10%

3.2.6 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt					
Debt at 1 April	28,945,000	28,341,000	27,726,000	27,013,000	26,371,000
Expected change in Debt	(604,000)	(615,000)	(713,000)	(642,000)	(746,000)
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	28,341,000	27,726,000	27,013,000	26,371,000	25,625,000
The Capital Financing Requirement	24,900,000	24,253,000	23,991,000	23,412,000	22,716,000
Under / (over) borrowing*	(3,441,000)	(3,473,000)	(3,022,000)	(2,959,000)	(2,909,000)

* As housing projects come on stream and expenditure is incurred, this will reduce the over-borrowing position in future years.

3.2.7 Within the above figures the level of debt relating to investment activities / non-financial investment is:

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt for investment activities / non-financial investments					
Actual debt at 31 March for Investment Activities	21,045,000	20,849,000	20,563,000	20,357,000	20,056,000
Percentage of all PWLB external debt %	74%	75%	76%	77%	78%

3.2.8 Within the range of 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 2023/24 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 or speculative purposes.

3.2.9 The Corporate Director for Strategic Finance (S151 Officer) 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 the budget report for 2023/24.

3.3 Treasury Indicators: Limits to Borrowing Activity

3.3.1 In September 2019, Council approved an overall Borrowing Limit (for all Council Services) of £50 million. The Operational Boundary is recommended to be set at £35 million to reflect the current projected levels of borrowing. Council are asked to re-affirm the total Authorised Borrowing Limit of £50 million.

3.3.2 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. 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 and the ability to fund under-borrowing by other cash resources.

Operational boundary	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total external debt	35,000,000	35,000,000	35,000,000	35,000,000

3.3.3 **The Authorised Limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal 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.

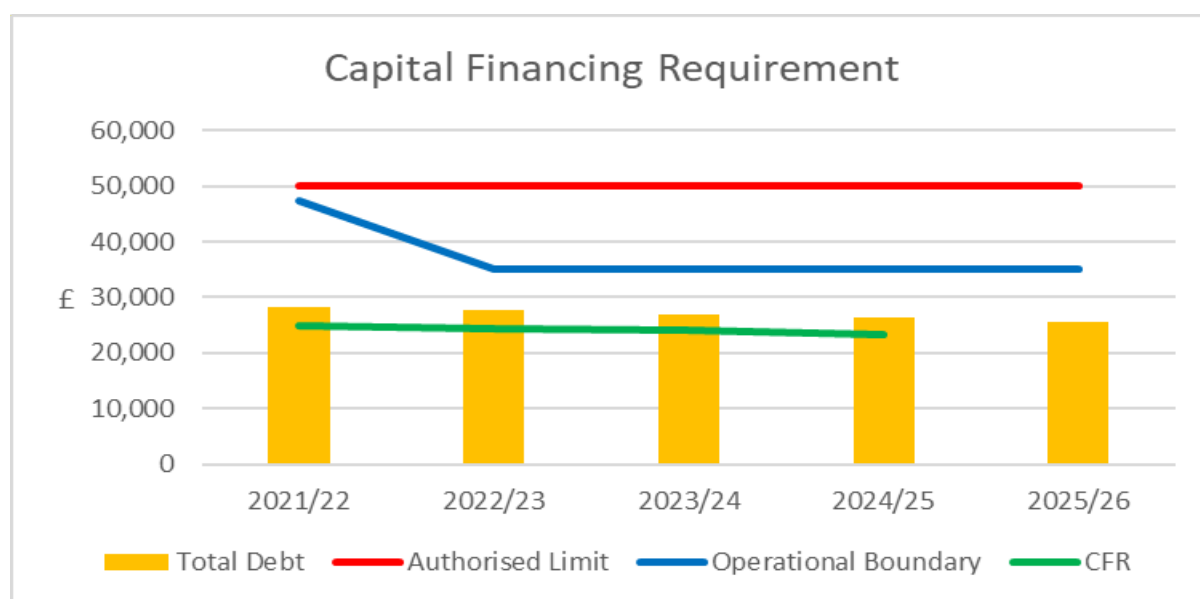
3.3.4 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.3.5 The Council is asked to approve the following authorised limit of £50 million:

Authorised limit	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total external debt	50,000,000	50,000,000	50,000,000	50,000,000


3.3.6 The graph below shows the CFR and borrowing projections.

	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
General Fund	4,389,000	3,984,000	3,969,000	3,644,000	3,208,000
Investment activities / non-financial investments	20,511,000	20,269,000	20,022,000	19,768,000	19,508,000
Total CFR	24,900,000	24,253,000	23,991,000	23,412,000	22,716,000
External Borrowing	28,341,000	27,726,000	27,013,000	26,371,000	25,625,000
Authorised Limit	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Operational Boundary	47,500,00	35,000,000	35,000,000	35,000,000	35,000,000



3.4 Prospects for Interest Rates

3.4.1 The Council engages Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts. These are forecasts for certainty rates, gilt yields plus 80 bps.

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3.4.2 The Bank Rate stands at 4.0% currently but as shown in the forecast table above, it is expected to reach a peak of 4.5% during the first half of 2023.

3.4.3 Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

3.4.4 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

3.4.5 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

3.4.6 **PWLB rates** – The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.60%.

3.5 Borrowing Strategy

3.5.1 The Council is not expecting to take any new external loans during the current and next two financial years as the current Capital Financing Requirement estimates will be fully financed by existing borrowing. We will continue to assess the opportunities to borrow and look to use a mix of external loans to finance any further increases in the Capital Financing Requirement (CFR). Any opportunities to reduce interest costs by maintaining an under-borrowed position will be considered. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023. Based on the current external loan portfolio, the Council would need to repay some of the existing loans to achieve an internal borrowing position. The current PWLB early repayment terms do not make this financially beneficial, but it will be continually reviewed to ensure any opportunities to mitigate the net interest costs are considered.

3.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Corporate Director for Strategic Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then any further external borrowing could be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

3.5.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.6 Policy on Borrowing in Advance of Need

3.6.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. 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.

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

- It will be limited to no more than 100% of the expected increase in borrowing need (CFR) over the three year planning period; and
- The authority would not look to borrow more than 36 months in advance of need.

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

3.7 Debt Rescheduling

3.7.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

3.7.2 If rescheduling is to be undertaken, it will be reported to the Council at the earliest meeting following its action.

3.8 New Financial Institutions as a Source of Borrowing

3.8.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- UK Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time and minimum amounts of borrowing)

3.8.2 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.9 Maturity Structure of Borrowing

3.9.1 These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2023/24

	Lower	Upper
Less than 1 year	0%	10%
Between 1 and 2 years	0%	10%
Between 2 years to 5 years	0%	30%
Between 5 years to 10 years	0%	30%
Between 10 years to 20 years	0%	50%
20 years and above	0%	100%

3.10 Approved Sources of Long and Short Term Borrowing

Approved sources of borrowing are as follows:

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Medium Term Notes	●	
Finance leases	●	●

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Hub Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit and Governance Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) Delegation from the Corporate Director of Strategic Finance (S151) to the nominated posts for the taking of investment decisions

- Head of Finance Practice (Deputy S151)
- Principal Accountants

APPENDIX B2

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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe for example 25+ years.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that Members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (*TM Code p54*): -
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
 - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

APPENDIX C

Annual Investment Strategy 2023/24

1. Annual Investment Strategy

1.1 Investment Policy – Management of Risk

1.1.1 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

1.1.2 The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

1.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

1.1.4 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to

maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix C1 under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million of the total investment portfolio, (see Appendix C1).
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 1.2.6.
7. **Transaction limits** are set for each type of investment in 1.2.6.
8. This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 1.4.5).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 1.3.1).
10. This authority has engaged **external advisors**, to provide expert treasury management advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 23). At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.

13. **Investments in equity instruments designated at fair value through other comprehensive income.** Upon transition to IFRS9 – Financial Instruments on 1 April 2018, the Council elected to designate the CCLA investment (£500,000) as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash. The Council currently holds £0.5m in the CCLA Property Fund.

1.1.5 However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 1.5.1). Regular monitoring of investment performance will be carried out during the year.

1.2 Creditworthiness Policy

1.2.1 This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- “watches” and “outlooks” from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

1.2.2 This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour - not to be used

1.2.3 The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

1.2.4 Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

1.2.5 All credit ratings will be monitored on a real-time basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

1.2.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5 years	Up to 5 years	Up to 5 years	Up to 2 years	Up to 1 year	Up to 1 year	Up to 6 months	Up to 100 days	No colour

	Minimum credit criteria/colour band	Limit per institution Max % of total investments	Maximum maturity
DMADF	n/a	100%	6 months
Money Market Funds	AAA	£3m	Daily liquidity
Cash Plus Funds/ Ultra short bond funds	AAA, AA	£3m	T+1 to T+4
CCLA Local Authorities Property Fund	Not credit rated	£1.0m	No fixed maturity date but will generally be held for up to 7 years
Local Authorities	Yellow	£3 million per institution	5 years
Unsecured investments with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	£3m (£4m for Lloyds plc)	Up to 5 years Up to 2 years Up to 1 years Up to 1 years Up to 6 months Up to 100 days Not for use
Share capital in a body corporate	N/A	nil	N/A
Loan capital in a body corporate	N/A	nil	N/A

Creditworthiness

1.2.7 Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

1.2.8 CDS prices. Although bank CDS prices (these are market indicators of credit risk) spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

1.3 Limits

1.3.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** (see Appendix C2).
- c) **Other limits.** In addition:
 - no more than £3 million will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

1.3.2 Loans. In accordance with the Statutory Guidance on Local Government Investments, a local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth.

The Council can make such loans whilst continuing to have regard to this guidance, subject to the following requirements of the Council's strategy, being:-

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

1.4 Investment Strategy

1.4.1 In-house Funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

1.4.2 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

1.4.3 Investment Returns Expectations. The current forecast includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

1.4.4 Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

1.4.5 The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£500,000	£500,000	£500,000
Current investments as at 31.01.23 in excess of 1 year maturing in each year*	£500,000	£500,000	£500,000

* *Monies already invested in the CCLA Property Fund (£500,000 at 31.3.2022)*

1.4.6 For its cash flow generated balances, the Council will seek to utilise its money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

1.4.7 The Council's investments are predominantly sterling-denominated term deposits. These are not long-term investments that are specifically used by financial institutions to "on-finance" projects, but used as part of day-to-day cash flow balances. The Council also does not make equity investments in financial institutions.

1.5 Investment Performance / Risk Benchmarking

1.5.1 The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the Sterling Overnight Interbank Average rate (SONIA).

1.6 End of Year Investment Report

1.6.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

APPENDIX C1

Treasury Management Practice(TMP1) – Credit and Counterparty Risk Management

Specified Investments

All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
Money Market Funds	AAA	£3 million per fund	Liquid
Ultra Short Dated Bond Funds	AAA	£3 million	Liquid
Local authorities	Yellow	£3 million per institution	12 months
Term deposits with banks and building societies	Blue	£3 million per institution (£4 million for Lloyds)	Up to 1 Year
	Orange		Up to 1 Year
	Red		Up to 6 months
	Green		Up to 100 days
	No Colour		Not for use

Non-Specified Investments

Investment instruments with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The Council's CCLA Property Fund investment of £500,000 is currently the only investment type that the Council has which meets the definition of a non-specified investment. A further £500,000 investment was approved as part of the 2020/21 Budget.

Note this Investment of £0.5m has not currently been made due to the Coronavirus pandemic

The limits shown below for share capital and loan capital are the maximum limits for this investment type.

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
Property Investment Funds – CCLA	N/A	£1 million	No fixed maturity date but will generally be up to 7 years
UK Government Gilts	Yellow	£3 million	5 Years
Share capital in a body corporate (See note 1 below)	N/A	Nil*	N/A
Loan capital in a body corporate (See note 1 below)	N/A	Nil*	N/A
TOTAL		£4 million	

*Although the current limit is nil for 2023/24, this could change in the future therefore this row has been included for completeness.

NOTE 1. The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. The Council will seek further advice on the appropriateness and associated risks with investments in these categories. The share capital or loan capital for 2023/24 is shown for completeness only.

APPENDIX C2

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Although the countries listed below are eligible for Investment as their credit rating is AA- or higher, the Council mainly invests with Banks or Building Societies within the UK.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K

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Agenda Item 9a

At a Meeting of the **OVERVIEW & SCRUTINY COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **14th** day of **February 2023** at **2:00 pm**.

Present:

Cllr M Ewings – Chairman
Cllr P Kimber – Vice-Chairman

Cllr L Daniel	Cllr N Heyworth
Cllr C Kemp	Cllr D Moyse
Cllr T Pearce	Cllr M Renders
Cllr D Sellis	Cllr T Southcott
Cllr J Spettigue	

Director of Customer Service and Delivery
Director of Strategy and Governance
Director of Place and Enterprise (via Teams)
Chair of Community Safety Partnership/Community Safety Specialist South Devon and Dartmoor
Inspector Conway, Devon and Cornwall Police
Public Health Officer (via Teams)
Climate Change Specialist
Head of Environmental Health and Licensing
Alex Stevens – Regional Policy Manager NFU
Senior Case Manager – Democratic Services

Also in Attendance: Cllrs C Edmonds, N Jory, T Leech (via Teams), C Mott (via Teams), P Ridgers, B Ratcliffe, Cllr L Wood and J Yelland

***O&S 54/22 APOLOGIES FOR ABSENCE**

Apologies for absence for this meeting were received from Cllrs A Blackman, A Coulson and D Turnbull.

***O&S 55/22 CONFIRMATION OF MINUTES**

The minutes of the Meeting of the Overview and Scrutiny Committee held on 17 January 2023 were confirmed as a true and correct record.

***O&S 56/22 DECLARATIONS OF INTEREST**

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

***O&S 57/2 PUBLIC FORUM**

The Chairman confirmed that no formal requests had been received in accordance with the Overview and Scrutiny Procedure Rules.

***O&S 58/22 NATIONAL FARMERS UNION INVOLVEMENT IN DEVON CARBON PLAN – ALEX STEVENS**

Alex Stevens, the Regional Policy Manager for the National Farmers Union (NFU), gave an overview of the NFU's involvement in the Devon Carbon Plan.

In so doing, reference was made to:

- Domestic food production and energy production having become increasingly important to Central Government;
- Farmers being asked to sign up to the Net Zero Carbon pledge. It was recognised that simple actions could make a real difference;
- The Greenhouse Gas footprinting five-year programme. The Farm carbon toolkit helped farmers, however there could be issues with others taking the data for a marketing tool and farmers worried about the data being used elsewhere. Simple action was knowing some baseline data for farmers was better than nothing;
- Working with the Woodland Trust with tree planting schemes. 15,000 trees had been given out to NFU members over the last few weeks. Infilling of hedgerows and extending hedges were small steps to improve carbon offset. Many grants and information of how to plant trees was available to farmers. If hedges were to increase by 20%, it would be a huge ecological benefit, with the taller the hedge, the deeper the root system;
- NFU Energy provided help and advice with regard to grid connections and renewables particularly with dairy and poultry units;
- Encouraging farmers to take up as many schemes that reduced the impact of carbon on their farms; and
- The ability to arrange for Members to visit a farm if they wished to.

In response to questions:

- The future of agriculture in the local area was likely to have more land ownership outside of agriculture. More farmers were wishing to retire and farm managers may be put in place. Less productive land had to be farmed more sensitively and productive land to be farmed more productively;
- Alternative land use in regard to such things as hedging and fencing off land to use for active travel would be discussed at the next NFU meeting.
- West Devon was located in an area of high livestock production that grew grass very well. It was a challenge to get the balance right

between plant based and meat production with people being discerning on what food they buy;

- The need to highlight market dynamics to farmers was important with Devon as a whole felt to be one massive farm providing a balanced diet to consumers;
- The NFU had a place on the Devon Climate Emergency Response Group that fed into the Devon Carbon Plan. The view was expressed that, whilst the Group listened to the science and data supplied, it was not always understood and portrayed.

The Leader outlined that the lead Hub Committee Member for farming was the Lead Member for Economy, with elements also being covered by the Lead Member for the Environment. The continued Council emphasis to be placed upon farming would be a matter for the new Council administration to decide.

Finally, it was agreed that a copy of the presentation slides would be circulated to all Members.

It was then **RESOLVED** that the Committee note the involvement that the NFU had in the Devon Carbon Plan.

***O&S 59/22 COMMUNITY SAFETY PARTNERSHIP**

The Chair of the Community Safety Partnership updated the Committee on its achievements over the past year. Priorities were on the prevention of sexual violence, domestic abuse, exploitation, drug and alcohol misuse, changes in youth culture and Anti-Social Behaviour. Key achievements were:

- The Let's Talk project was seeing positive results on a whole host of issues, such as online bullying, drug and alcohol abuse and healthy relationships. There had been 3,107 engagements with parents online over the past year. Feedback from parents had been overwhelming, particularly over the COVID pandemic period where parents did not feel so alone. People had joined from across the world and the Partnership would be looking to see how they could harness and maximise the project;
- A presentation was delivered to schools outlining sexism and misogyny to try to change the culture and encourage children to speak out. The Partnership had attended 9 secondary schools across the area with 1600 pupils attending;
- A big focus was being placed on exploitation and how to recognise it and report it. County lines had been evident in West Devon and ongoing work with teachers and governors was in place to address this;

- Concerns were raised around young people vaping. Strong links had been developed with schools to speak to public health and services were in place to help young people stop;
- The Partnership had been working with the Dartmoor National Park Authority to address instances of anti-social behaviour.

Inspector Conway was invited to address the Committee and advised that:

- police resources had been increased within the area;
- Warrants had been issued whereby the Police had been able to seize knives and weapons in Okehampton and Tavistock over recent weeks;
- anti-social behaviour was down by 21% in the last three months compared to the same period last year. Inspector Conway encouraged Members to keep reporting anything of concern.

During debate, the following points were raised:-

- Social influencing surrounding sexism was being spoken about in schools and was of great concern, with Partnership resources being sent to schools to help address it;
- Pornography that was being viewed by children was impacting on the type of violent crime being seen against young children. The Partnership had been successful in gaining just under £250,000 from the UK Prosperity Fund to address violence against women and girls and any learning gained from the funding would be shared within West Devon.
- Concern was raised over training camps being used for radicalisation within West Devon. The Prevent Agenda was part of the government's counter terrorism strategy and Members were asked to report anything suspicious back to the Partnership.

It was then **RESOLVED** that the Overview and Scrutiny Committee had identified the following to be raised at the next Community Safety Partnership meeting:

The CSP to attend a proposed conference to be held in the new Council year to present an in-depth report to all Members.

***O&S 60/22 COUNCIL DELIVERY AGAINST CORPORATE THEME: COMMUNITY WELLBEING**

The Lead Member for Community Wellbeing introduced the update report to the Committee. The Head of Environmental Health and Wellbeing advised that the Rural Poverty Pilot project was being brought back on track with the help of an officer from public health.

Feedback was given on recently issued Disabled Facilities Grants.

It was also confirmed that new playing pitch funding was being used on projects in Okehampton and Horrabridge.

It was then **RESOLVED** that the content of the Community Wellbeing Update be noted.

***O&S 61/22 A PLAN FOR WEST DEVON THEMATIC UPDATE: THRIVING ECONOMY**

The Committee agreed to defer the update report as the presenting Officer was unable to attend.

It was then **RESOLVED** that the Committee defer the report to the next O&S Committee meeting.

O&S 62/22 DRAFT EV STRATEGY PLAN

The Principal Climate Change Officer introduced the draft strategy to the Committee.

The new government funding scheme for installing off-street charging points are looking for innovative schemes such as solar canopy battery storage.

A soft launch for charging points at village halls was launched at the end of last year and interest was shown. This would need to be packaged up with more viable sites as private sector partners would be engaged to run them.

It was then **RESOLVED** that the Overview and Scrutiny Committee **RECOMMEND** the content of the draft EV Strategy to the Hub Committee and for officers to undertake a public consultation in line with the Council's Consultation and Engagement Strategy.

***O&S 63/22 TASK AND FINISH GROUP UPDATES (IF ANY)**

There were no updates given.

***O&S 64/22 DRAFT O&S ANNUAL WORK PROGRAMME 2022/23**

The draft proposal for the work programme was reviewed. The following amendments to the work programme were agreed as follows:

- The deferred Plan for West Devon Thematic Update: Thriving Economy report to be taken to the next O&S Committee meeting on 21 March 2023;
- Induction Programme Report;
- Fusion Annual Report; and

- Thematic Update: Homes.

***O&S 65/22 MEMBER LEARNING AND DEVELOPMENT OPPORTUNITIES ARISING FROM THIS MEETING**

The proposed Community Safety Partnership seminar for all Members to take place in the new Council year.

(The meeting terminated at 16.15 pm)

Chairman

MINUTES OF THE MEETING OF THE COUNCIL TAX SETTING COMMITTEE HELD ON WEDNESDAY, 23 FEBRUARY 2023

MEMBERS

Chairman – Cllr N Jory

Cllr M Davies Cllr C Edmonds

Officers in attendance:

Head of Revenue and Benefits; Specialist – Finance; and Democratic
Services Specialist

CTSC.1/23 **APPOINTMENT OF CHAIRMAN**

Cllr Jory was nominated and appointed as Chairman for the duration of this Committee meeting.

CTSC.2/23 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr T Pearce.

CTSC.3/23 **MINUTES**

The minutes of the meeting of the Council Tax Setting Committee held on 22 February 2022 were confirmed as a correct record and signed by the Chairman.

CTSP.4/23 **DECLARATIONS OF INTEREST**

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

CTSP.5/23 **COUNCIL TAX 2023/24**

Consideration was given to a report that calculated and set out the Council Tax for 2023/24, having taken into account the precepts as notified from Devon County Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the local Town and Parish Councils.

It was then:

RESOLVED

- 1 That it be noted that, in December 2022, the Senior Leadership Team, under delegated authority from full Council, approved the Council Tax Base for the year 2023/24:
 - (a) for the whole Council area as 21,225.87 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base)(England) Regulations 2012; and
 - (b) for dwellings in those parts of its area to which a Parish Precept relates in accordance with regulation 6 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (Appendix A of the published agenda report refers);
- 2 That the Council Tax requirement for West Devon Borough Council's own purposes for 2023/24 (excluding Parish precepts) is calculated at £5,391,371 (Appendix B of the presented agenda report refers);
- 3 That the following amounts are calculated by the Council for the year 2023/24 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 and the Localism Act 2011 (Appendix B of the presented agenda report refers):
 - (a) £27,787,721 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish/Town Councils **(Gross expenditure including parish precepts)**.
 - (b) £20,267,247 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act **(Total income including business rates and council tax collection fund surplus)**.
 - (c) £7,520,474 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act) **(Council tax requirement including parish precepts)**.

- (d) £354.31 being the amount at 3(c) above (Item R), all divided by the council tax base (1(a) above) in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year **(Average band D council tax for West Devon Borough Council and parishes)**.
- (e) £2,129,103 being the aggregate amount of all special items (Parish Precepts), referred to in Section 34(1) of the Act (as per **Appendix C – Parish Precepts** to the published agenda report).
- (f) £254.00 being the amount at 3(d) above less the result given by dividing the amount at 3(e) by the Council tax base (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates **(Band D council tax for West Devon Borough Council only)**.

- 4 That it be noted the County Council, the Police and Crime Commissioner and the Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings as shown below:

Precepting authority	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
Devon County Council's tax requirements	1,089.42	1,270.99	1,452.56	1,634.13	1,997.27	2,360.41	2,723.55	3,268.26
Police & Crime Commissioner's tax requirements	174.37	203.44	232.50	261.56	319.68	377.81	435.93	523.12
Devon & Somerset Fire & Rescue Authority's tax requirements	64.53	75.28	86.04	96.79	118.30	139.81	161.32	193.58

- 5 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the amounts of Council Tax for the year 2023/24 for each of the categories of dwellings shown at **Appendix D of the published agenda report (total of all valuation band council taxes for West Devon Borough Council including parishes, county, police crime commissioner and fire authority)**.

- 6 That the Council concluded that the basic amount of Council Tax for West Devon Borough Council for 2023/24 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992 (see calculation at **Appendix B** of the published agenda report).

(Meeting commenced at 10.00 am and concluded at 10.05 am).

Chairman

Minutes of a meeting of the **WEST DEVON DEVELOPMENT MANAGEMENT & LICENSING COMMITTEE** held on **TUESDAY** the **28th** day of **February 2023** at **10.00am** in the **COUNCIL CHAMBER, KILWORTHY PARK**

Present: Cllr J Yelland – Chairman

Cllr R Cheadle
Cllr N Heyworth
Cllr T Leech
Cllr C Mott

Cllr D Moyse
Cllr M Renders
Cllr T Southcott
Cllr J Spettigue

Head of Development Management (JH)
Planning Officer (NG)
Monitoring Officer and Head of Legal Practice (DF)
Democratic Services Officer (KH)

***DM&L.42 APOLOGIES FOR ABSENCE**

Apologies were received from Cllrs T Pearce and B Ratcliffe, with Cllr R Cheadle substituting for Cllr Pearce.

***DM&L.43 DECLARATION OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting. In so doing, Cllr Mott declared an interest in planning application 4034/22/HHO (minute DM&L.46 below refers) by virtue of being the Council's appointed Member representative on the Cornwall and West Devon Mining Landscape World Heritage Site Partnership and remained in the meeting during consideration of this application.

***DM&L.44 URGENT BUSINESS**

Whilst there was no urgent business brought forward to this meeting, the Chairman reminded the Committee the next Development Management & Licensing Committee was scheduled to be held on 18 April 2023.

***DM&L.45 CONFIRMATION OF MINUTES**

The minutes from the Committee meeting held on 24 January 2023 were approved as a true and correct record.

***DM&L.46 PLANNING, LISTED BUILDING, TREE PRESERVATION ORDER AND ENFORCEMENT REPORTS**

The Committee proceeded to consider the report that had been prepared by the relevant Planning Officer on the following application and considered also the comments of the Parish Council together with other representations received, which were listed within the presented agenda report and summarised below:

(a) Application No. 4034/22/HHO Ward: Bere Ferrers

Site Address: Pump Cottage, Bere Ferrers

Development: Householder application for proposed detached garage

Recommendation: Refusal

Key issues for consideration: Design, scale and massing, the impact on non-designated heritage asset and setting, impact on the Cornwall and West Devon World Heritage Site, Tamar Valley Area of Outstanding Natural Beauty

Speakers included:

Supporter: Mr H Thornton

Bere Ferrers Parish Councillor: Cllr P Crozier

Local Ward Member: Cllr A Blackman

During questions of the speakers, it was clarified that, should Members wish to propose Conditional Application of the planning application, then they would need to demonstrate how the identified harm would be mitigated. It was confirmed that no weight should be given to the previous Structure, as there was just a concrete slab in situ. It was questioned if trellis work inside the hedge would help to mitigate the harm.

In debate, it was clarified that the Bere Peninsula Neighbourhood Plan stated that new development should avoid harming the unique assets of the area. Also, there was also no carbon reduction measures proposed in the planning application as stated as being required on new development within the Neighbourhood Plan.

It was raised by a Member that, on the site visit, the Committee had observed several sheds in close proximity to the application site that appeared to have no relevance to the heritage assets outlined in the Officer's published agenda report. In reply, the Head of Development Management said that the decision made on those garages may have been poor decisions in the past, however with the current adopted policies and, in particular, the World Heritage site status, it is important to measure the decision against them. The Officer also explained that it would be hard to condition against further development on this site, as it was an application for a garage and so it would not be possible to remove permitted development rights.

Committee Decision: Refusal

Reasons:

1. The proposed garage does not meet the minimum internal dimensions for domestic garaging as set out within paragraph 8.5 of DEV29 of the Plymouth & South West Devon Joint Local Plan (2014- 2034) The small size of the proposed garage is substandard resulting in a building that is not fit for purpose. If approved, it will increase pressure for additional garage buildings within the site, further compromising available space within the site for on-site parking and turning and exacerbating the negative visual impact that a proliferation of small garden buildings would have within the Public Realm of the Area of Outstanding Natural Beauty (AONB) and World Heritage Site (WHS) protected Heritage Landscape. As such the proposal is contrary to policy DEV29 Plymouth & South West Devon Joint Local Plan (2014- 2034);
2. The proposal introduces a new domestic feature on the approach to the settlement, which due to its siting, size and scale will detract from the setting of the host dwelling and other non-designated heritage assets within this linear hamlet. The proposal fails to conserve or enhance the outstanding universal value of the World Heritage Site (WHS) and is considered to cause less than substantial harm to the authenticity of the Outstanding Universal Value of the Site. The proposal is solely for private benefit and provides no mitigation to ameliorate the extent of harm to the WHS Public Realm. The proposal is therefore considered contrary to DEV20, DEV21, DEV 22 and DEV23, DEV25 of the Plymouth & South West Devon Joint Local Plan (2014- 2034), policies P3, P6, C2 and C9 of The Cornwall and West Devon Mining Landscape World Heritage Site Management Plan 2020-2025 and paragraphs 176, 200 and 202 of the National Planning Policy Framework; and
3. The application has failed to include a Heritage Statement proportionate to the asset's importance as required by The Cornwall and West Devon Mining Landscape World Heritage Site Supplementary Planning Document 2017 and paragraph 194 of the National Planning Policy Framework. As a result, the full impacts of the design scheme and the proposal cannot be ascertained and therefore adequately considered against Policy DEV21 in the Plymouth & South West Devon Joint Local Plan (2014- 2034).

***DM&L.47 PLANNING APPEALS UPDATE**

The Head of Development Management updated Members on the appeal on Higher Wilminstone Milking Parlour, near Tavistock. The application had been refused on four reasons. The location had been the main reason that the Inspector had given for dismissing the appeal, as there were no local facilities and people would be reliant on the motor car.

***DM&L.48 UPDATE ON UNDETERMINED MAJOR APPLICATIONS**

The Head of Development Management updated Members on two applications that were raised at Committee. She confirmed that the meeting had taken place with Sports England on the application on Hazeldene Preparatory School, Tavistock. Also, that a meeting had taken place with the architect in regard to potential amendments to the design of the proposed houses.

The Monitoring Officer confirmed that the application on Plymouth Road was awaiting land ownership issues to be dealt with in regard to probate.

(The Meeting ended at 11.00 am)

Chairman

Agenda Item 9d

At a Meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **14th** day of **March 2023** at **12.30am**

Present: Cllr K Ball (Chairman)
Cllr A Bridgewater
Cllr M Davies
Cllr P Ridgers
Cllr J Yelland

Officers in attendance: Section 151 Officer
Deputy Section 151 Officer
Internal Auditors
External Auditor
Head of Strategy and Projects (via Teams)
Senior Specialist Finance
Senior Democratic Services Officer
Principle Accountants (via Teams)
Director of Strategy & Governance (via Teams)
Director of Strategy and Organisational Development

Also in attendance: Cllr C Edmonds (Lead Hub Committee Member) Cllr N Jory (Leader) and Cllr C Mott (via Teams), Cllr P Crozier and Cllr R Cheadle

***AC 20 APOLOGIES**

Apologies for absence were received from Cllr Samuel.

***AC 21 CONFIRMATION OF MINUTES**

The Minutes of the Committee Meeting held on 22 November 2022 were confirmed by the Committee as a true and correct record.

***AC 22 DECLARATIONS OF INTEREST**

Cllr Ball declared a personal interest in Item 8: '2023/24 Capital Strategy; 2023/24 Treasury Management Strategy; and 2023/24 Investment Strategy' (Minute AC 26 below refers) with the reference to OkeRail being one of the partners in the forthcoming Transport hub at Okehampton. He is part of the OkeRail Executive Committee and remained in the meeting and took part in the debate and vote thereon.

For transparency reasons, Cllr Yelland declared that she was appointed by West Devon Borough Council to sit on the Okehampton Rail Forum Outside Body.

GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE

The External Auditor introduced the progress report and sector update to Members. For the 2021/22 Financial Statement Audit, Grant Thornton had issued its opinion on 30 November 2022, which was the legislative target deadline for that financial year.

The 2022/23 audit timetable would see the finance team produce draft accounts by the end of May 2023. Audited accounts would need to be published by the end of September 2023. Grant Thornton stated that they believed they would not be able to start the audit until October 2023 (due to a shortage of audit staff) and therefore they were unable to meet the national target date for audited accounts to be published by the end of September 2023. Grant Thornton were aware of the reputational implications on public opinion and the press and the added workload to the finance team. Nationally, there had been a drop off in meeting the target date to complete the audit.

The External Auditor also stated that nationally, there had been a difficulty in recruiting and retaining auditors and a proposal for a joint value for money report for 2021/22 and 2022/23 was suggested.

Following his presentation, the Committee expressed its disappointment over the situation that the audit of the accounts would not be ready in time and the reputational damage it would cause to the Council. Members also voiced their concern for the added work pressure it would cause to the finance team.

The Section 151 Officer also expressed her concerns over the extra workload to her team and echoed the Member concerns over the reputational risk to the Council. The Council would put a notice on its website to state why the accounts had not been audited within the legislated timescale and would state that it was due to lack of resources within Grant Thornton. However, a member of public looking would probably only see that there was not a set of audited accounts published and may not look for the reason why.

A Member of the Committee suggested that the Council should be given a reduction in its audit fees. The External Auditor confirmed that he would need to be realistic in giving a completion date and would have dialogue with the finance team. He also said that there would be no reduction in audit fees as the work would still need to be completed, but not within the legislative timescale.

A Member was of the view that this delay should be added to the Council's risk register due to the pressure on officers through the extra workload. Another Member questioned the level of scrutiny within the audit. He felt that this needed to be reduced for those smaller Borough and District Councils and felt that lobbying should be carried out accordingly. The Section 151 Officer stated that the Redmond Review did not reduce the amount of audit work on areas such as pensions and fixed assets, however a Government Call for Evidence and consultation on the audit process was now taking place and a response from the Council would be made by 17 April 2023.

The Chairman **PROPOSED** and it was subsequently **SECONDED** that a formal request from the Chairman and the Section 151 Officer be sent to Grant Thornton asking for the audit to be expedited. Also, for the Audit Committee in 2023/24 to ensure that this was at the forefront of its considerations. An agenda item to be put on the first Committee agenda in the 2023/24 Municipal Year in regard to this item and to lobby local MPs. It was also requested that Group Leaders should feed back to their Members regarding the issues around the delays in the external audit.

Finally, the finance team was thanked for its work with reaching the unqualified Audit opinion.

It was then **RESOLVED** that:

1. The Grant Thornton Audit Report: Audit Findings Report 2021/22 be noted;
2. A letter be sent to Grant Thornton from the Chairman of the Audit & Governance Committee and the Section 151 Officer to request that the audit be expedited;
3. The Committee Annual Work Programme be updated to ensure that an agenda item be put forward to the next Audit & Governance Committee meeting that includes reference to: lobbying on this item around the audit of smaller local authorities; the lack of audit resources in national audit firms; and the Council's response to the Call for Evidence.

***AC 24 PROPOSED INTERNAL AUDIT PLAN FOR 2023/24**

The Lead Hub Committee Member introduced the Audit Plan to the Committee.

In discussion, the Devon Audit Partnership Officer confirmed that job recruitment and staff retention was also an issue within the Partnership. A Member asked why some of the areas of the Council needed to be audited so regularly. In reply, the Officer stated that a four-year plan was in place and Members could be provided with a copy of it.

It was then **RESOLVED** that the proposed Internal Audit Plan for 2023/24 (as set out at Appendix A of the published agenda report) be approved.

***AC 25 UPDATE ON PROGRESS ON THE 2022/23 INTERNAL AUDIT PLAN**

The Lead Hub Committee Member took Members through the update on progress report. In so doing, he stated that a new Head of Operations was now in place in the assets team.

The Committee noted that building maintenance issues were being revisited in more detail so assurance could be brought back to the Committee.

It was then **RESOLVED** that the progress made against the 2022/23 Internal Audit Plan be noted and approved.

AC 26

2023/24 CAPITAL STRATEGY, 2023/24 TREASURY MANAGEMENT STRATEGY AND 2023/24 INVESTMENT STRATEGY

The Lead Hub Committee Member introduced the draft 2023/24 Capital Strategy; 2023/24 Treasury Management Strategy; and 2023 Investment Strategy reports for consideration. The Member highlighted the development of a new railway station and transport hub in Okehampton following a successful bid of £13.4million from Central Government and informed that West Devon Borough Council would be the accountable body for the project.

The Section 151 Officer confirmed that the budget for investment income had been set at £400,000. A Member of staff monitored treasury management on a daily basis and invests out with UK banks and building societies on a 1 year, 6 month, 3 month or 1 month basis.

Members voiced their delight at the successful bid for funding for the transport hub in Okehampton. The Section 151 Officer confirmed that West Devon Borough Council would have the ultimate responsibility for the project and submitting of the monitoring returns on a regular basis. It was noted that Devon County Council were the transport authority and would be responsible for the procurement of the project.

The project had been added to the Council's internal audit plan for review, as requested by the S151 Officer. Staff resources on the project was raised as an issue and the S151 Officer stated that there would be no extra Government funding for this resource. The positives of new business being brought to the area with the project was also discussed.

It was then **RESOLVED** that the Audit Committee has scrutinised and **RECOMMENDS** to Council approval of the 2023/24:

- i) Capital Strategy (as attached at Appendix A of the presented agenda report);
- ii) Treasury Management Strategy (as attached at Appendix B of the presented agenda report);
- iii) Investment Strategy (as attached at Appendix C of the presented agenda report); and
- iv) That delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council and the Hub Committee Member for Resources, to make any minor amendments to these Strategies if required throughout the 2023/24 Financial Year.

***AC 27**

BUDGET BOOK 2023/24

The Committee considered a report that presented the draft Budget Book for 2023/24 for approval.

In discussion, the Committee highlighted the costs on public conveniences as the Council had agreed in 2019 that these facilities would be offered to the Town and Parish Councils to take on responsibility. The S151 Officer stated that the costs were associated with utilities, inflation and staff salary costs, with a more detailed written response to be provided outside of this Committee meeting.

For future iterations of this Committee report, a request was made for an explanation in the covering report to be given to the largest changes in the budget (to be added as a table).

It was then **RESOLVED** that the content of the Budget Book for 2023/24 be noted.

***AC 28 SHARED SERVICES METHODOLOGY**

A report was considered that presented the Shared Services Methodology for 2022/23. In his introduction, the lead Hub Committee Member advised that there was a one-off saving of £85,500 on the waste salary budget for West Devon for bringing the waste service back in house at South Hams. This sum was attributed to salaries within the Senior Leadership Team, Human Resources and the legal, design and waste teams.

The methodology illustrated a higher salary cost within Planning and Environmental Health (facilities grants) due to an increased workload. The External Auditor gave a brief overview of how sample testing was taken with transactions to ensure that they were apportioned appropriately.

It was then **RESOLVED** that the Committee note the methodology of the shared services apportionment of the costs between West Devon Borough Council and South Hams District Council for 2022/23, as attached in Appendix A of the published agenda report.

***AC 29 TREASURY MANAGEMENT MID-YEAR REPORT 2022/23**

The Lead Member introduced the report to the Committee. In so doing, it was noted that the Council had achieved an investment interest rate of 1.21% against the industry benchmark of 1.19%. The Council held £27.9 million of investments and a debt portfolio of £28 million (as at 30 September 2022). The S151 Officer stated that some money was invested with CCLA, however the advice was not to tie up any more than 10% of the Council's investment portfolio in longer term strategic investments.

It was then **RESOLVED** that the Committee endorse the content of the Treasury Management Mid-Year Report 2022/23

***AC 30 STRATEGIC RISK UPDATE**

The Leader of the Council introduced the Strategic Risk Update. Staffing issues were one area of identified risk and was being addressed with a recruitment and retention plan. The other area of concern identified was with the leisure service provision. The cost of living and energy costs was impacting on this service area. The Council continued to work with Fusion to promote active participation in healthy activities. The Council had performed well in two other previous areas of identified risk being: the response to the cost-of-living crisis and the placement of Ukrainian refugees. In both, the risks had been significantly reduced with the implementation of suitable policies and provision of appropriate resources. The risk had been managed sufficiently to deescalate these risks and remove them from the risk register.

The Assistant Director of Strategy and Organisation highlighted the intention of officers to review the risk strategy given the last review was carried out in 2018. The review would be brought to the next Audit and Governance Committee for adoption. This would be followed by Member workshops on risk management.

A Member commented on the temporary closure of Parklands Leisure Centre not helping in regard to leisure provision. The Leader stated that a new funding pot had been announced by Sport England to assist local leisure centres.

It was then **RESOLVED** that the Committee note the update on the Strategic Risk.

***AC 31 SUNDRY DEBT**

The Lead Hub Committee Member took Members through the published Sundry Debt report. The Member stated that arrears covered in the report were split into three categories which were: sundry debt; housing benefit overpayment by those still in receipt of housing benefit; and those no long in receipt. There was a decrease in levels of sundry debt from £181,000 to £135,000. There was a small reduction in housing benefit arrears with teams working hard to recover the debt.

The delivery of grants and the speed of which they were delivered over the covid-19 period was commented on and the fact that there was only one debt at the end of it. The Committee thanked the finance team for their hard work. A debt of 4 years was questioned and the Deputy S151 Officer stated that those that were not considered to be cost effective would be reviewed.

It was then **RESOLVED** that the Committee note the position in relation to the Sundry Debt.

(The Meeting terminated at 3.10pm)

Dated this

Chairman

Agenda Item 9e

At a Meeting of the **HUB COMMITTEE** held in the **Council Chamber, Kilworthy Park, Tavistock** on **TUESDAY** the **7th** day of **MARCH 2023** at **2.00 pm**

Present: Cllr N Jory – Chairman
Cllr C Edmonds – Vice Chairman

Cllr R Cheadle Cllr P Crozier
Cllr C Mott Cllr P Vachon
Cllr L Wood

In attendance: Senior Leadership Team
Monitoring Officer
Democratic Services Manager
Assistant Director – Strategy and Organisational
Development
Deputy Section 151 Officer (via Teams)
Specialist – Climate Change
Principal Natural Resources and Greenspaces Officer
(via Teams)
Head of Revenues and Benefits
Head of Housing
Head of Assets
Head of Environmental Health & Licensing (via Teams)
Head of Human Resources

Other Members also in attendance in a non-voting capacity:
Cllrs Daniel, Ewings, Kimber (via Teams) and Yelland

***HC 81/22 APOLOGIES**

Apologies for this meeting were received from Cllrs A F Leech and B Ratcliffe

***HC 82/22 DECLARATIONS OF INTEREST**

Members were invited to declare any interests in the items of business to be discussed but there were none made.

***HC 83/22 URGENT BUSINESS**

The Leader advised that he had agreed for one item of Urgent Business to be raised at this meeting that related to a recommendation arising from the Overview & Scrutiny Committee meeting held on 14 February 2023 'Draft Electric Vehicle (EV) Strategy Plan' (draft Minute O&S 62/22 refers). This item was deemed urgent in light of the associated time constraints.

In debate, the following points were raised:

- (a) In emphasising that time was of the essence to make progress, a Member requested an update on the installation of EV charging points across the Borough, particularly in view of supply issues. In reply, it was confirmed that the update that was recently provided to Members via the Bulletin was still the most up to date information available;

(b) A Member raised concerns over the issue of car charging leads stretching across pavements thereby causing trip hazards to pedestrians. Officers replied that Devon County Council was aware of the issue and was developing a range of solutions to address the problem.

It was then:

RESOLVED

That the draft EV Strategy be approved and that officers be instructed to undertake a public consultation in line with the Council's Consultation and Engagement Strategy.'

***HC 84/22 MINUTES**

The Minutes of the Hub Committee meeting held on 31 January 2023 were confirmed as a correct record.

***HC 85/22 PUBLIC QUESTION TIME**

It was noted that no Public Questions had been received in accordance with the Hub Committee Procedure Rules.

***HC 86/22 HUB COMMITTEE FORWARD PLAN**

Members were presented with the latest version of the Hub Committee Forward Plan that set out items on the agenda for Hub Committee meetings for the next four months and noted its content.

***HC 87/22 MONTH 10 REVENUE BUDGET MONITORING 2022/2023**

A report was considered that enabled Members to monitor income and expenditure variations against the approved budget for 2022/23 and that also provided a forecast for the year end position.

During debate, reference was made to the Broadband Community Support Reserve. In light of the balance indicating that no monies had yet been spent from this Reserve, it was agreed that a briefing note would be provided to all Members outside of this Committee meeting.

It was then:

RESOLVED

That the forecast income and expenditure variations for the 2022/23 financial year and the overall projected deficit of £35,000 (0.5% of the total Budget £7.770 million) be noted.

***HC 88/22 CAPITAL PROGRAMME MONITORING 2022/23**

Members considered a report that advised of the progress made on individual schemes within the approved Capital Programme, including an assessment of their financial position.

In reply to a question, officers confirmed that the Tamar Trails currently ran at an annual deficit to the Council of £25,000 per annum.

It was then:

RESOLVED

- i. That the contents of the presented agenda report be endorsed; and
- ii. That a budget of £35,000 in 2023/24; £10,000 in 2024/25; and £10,000 in 2025/26 be approved for Tamar Trails Infrastructure Renewal (to be funded from the Budget Surplus Contingency Earmarked Reserve) as set out at Appendix C of the presented agenda report.

***HC 89/22 WRITE-OFF REPORTS Q1 AND Q2 2022/23**

A report was considered that informed Members of the proposal to write-off a series of debts with a value of more than £5,000 for the period from 1 April 2022 to 30 September 2022.

In addition, the report also sought approval to the adoption of an updated Council Tax, Non-Domestic Rate (Business Rates) and Housing Benefits Overpayments Write-Off Policy.

In discussion, a Member made reference to the near 5% difference in Non Domestic Rates Collection between the Borough Council and South Hams District Council. In acknowledging the differential, the lead officer stated that she had already identified this matter as a priority to be addressed.

It was then:

RESOLVED

1. That, in accordance with Financial Regulations, it be noted that the Section 151 Officer has authorised the write-off of individual West Devon Borough Council debts totalling £81,644.55 (as detailed in Tables 1 and 2 of the presented agenda report);
2. That the write off of individual debts in excess of £5,000 (totalling £45,884.15 (as detailed in Table 3 of the presented agenda report)) be approved; and
3. That, with effect from 1 April 2023, the Council Tax, Non-Domestic rate (Business Rates) and Housing Benefit overpayments write-off policy (as set out in Appendix A of the presented agenda report) be adopted.

***HC 90/22 COUNCIL TAX DISCRETIONARY DISCOUNT POLICY**

Members considered a report which sought approval for the Council Tax Discretionary Discount Policy.

It was then:

RESOLVED

1. That the Council Tax Discretionary Discount Policy (as set out at Appendix A of the presented agenda report) be implemented from 1 April 2023; and
2. That authority be delegated to the Director of Strategic Finance (Section 151 Officer) to agree awards of a Council Tax Discretionary Discount, which have been recommended for authorisation by the Principal Revenues Officer, in consultation with the Head of Revenues and Benefits.

***HC 91/22 HOUSING CRISIS UPDATE**

Members considered a report which sought approval for a number of measures in support of action being taken by the Council to help address the Housing Crisis.

In the ensuing debate, the following points were raised:

- (a) The Committee was informed that, since the agenda had been published, Devon County Council had now confirmed its agreement to the funding proposals contained within the published report;
- (b) Members emphasised the importance of taking full advantage of the funding allocations;
- (c) With regard to finding five suitable properties, officers informed that the preference would be to purchase newer build dwellings and the importance of community integration was fully recognised;
- (d) In response to concerns being raised over the current property disposal strategy of Livewest in the West Devon Borough area, officers advised that they shared these concerns and were intending to raise this point at their next meeting with Livewest representatives;
- (e) By way of an update to the Springhill project, officers informed that the Business Case would be presented to Members at a future meeting and, as part of the pre-application process, the views of local Ward Members regarding the wish for three flats, had been taken into account.

It was then:

RESOLVED

1. That the use of up to £1.4m from the Government's Local Authority Housing Fund and Homes for Ukraine funding allocations be approved for the purchase of up to 5 properties;
2. That the Head of Assets, in consultation with the Head of Housing and Section 151 Officer, be authorised to identify within the available funding, up to 5 suitable properties and to take the necessary steps for the Council to purchase those properties;

3. That subject to positive pre-planning application discussions, the Head of Assets be authorised to prepare and submit a full planning application for the conversion and use of 20 Plymouth Road, Tavistock as temporary accommodation with at-risk costs of up to £30,000 being financed from the Homeless Prevention winter pressure grant; and
4. That the progress on Springhill, Tavistock and Wonnacotts Road, Okehampton be noted.

HC 92/22 A PLAN FOR WEST DEVON - YEAR 3 DELIVERY PLAN

A report was considered that set out an updated year 3 delivery plan for the Plan for West Devon Strategy.

In discussion, reference was made to the Internal Audit Progress Report that was due to be considered by the Audit and Governance Committee at its meeting to be held on 14 March 2023. As part of this Progress Report, a Member highlighted that the 'Plan for West Devon' had received a finding of 'substantial assurance' which he considered to be testament to the quality of the Plan.

It was then:

RESOLVED

That Council be **RECOMMENDED** to approve the minor amendments to the Year 3 Plan for West Devon delivery plans (as set out in Appendix A of the presented agenda report).

HC 93/22 RECRUITMENT AND RETENTION

Members considered a report detailing a range of actions being taken to respond to on-going recruitment and retention challenges, which included a comprehensive new organisational development plan. The report also included advice following an independent report undertaken by the Local Government Association on senior officer pay.

(NOTE: the Council's Senior Leadership Team left the meeting room prior to the debate on this agenda item).

In the ensuing debate, the following points were raised:

- (a) In support of the proposals and, emphasising the importance of staff retention, Members recognised the importance of remaining (and continuing to remain) competitive on pay in the constantly evolving national employment market, particularly in view of the opportunities delivered by agile working;
- (b) The challenges and additional complexities associated with working across two different local authorities was highlighted and, as a consequence, Members felt that the Senior Leadership Team represented excellent value for money.

It was then:

RESOLVED

1. That the action taken to respond to recruitment and retention challenges, as set out in paragraphs 2.4 to 2.9 of the report be noted; and
2. That Council be **RECOMMENDED** to accept the recommendations of the independent report on senior officer pay, undertaken by the Local Government Association, and approve the revised pay and grading structure for the senior leadership team.

(The meeting terminated at 3.05 pm)

Chairman

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF MINUTE HC 92/22 and HC 93/22 (PART 2) WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 28 MARCH 2023 WILL BECOME EFFECTIVE FROM 5.00PM ON THURSDAY, 16 MARCH 2023 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINYPROCEDURE RULES)