

**MINUTES OF A MEETING OF THE EXECUTIVE  
HELD AT FOLLATON HOUSE ON THURSDAY, 22 JANUARY 2009**

**MEMBERS**

\* Cllr R J Tucker - Chairman

\* Cllr P W Hitchins - Vice-Chairman

\* Cllr N A Barnes

\* Cllr H D Bastone

\* Cllr B E Carson

\* Cllr T J Hewitt

\* Cllr M J Hicks

\* Cllr M F Saltern

\* Denotes attendance

Also in attendance at the invitation of the Chairman:

Cllrs K J Baldry, J H Baverstock, J Brazil, P H Cook, M J Howarth, C M Pannell,  
R Rowe and J W Squire

Also in attendance but not participating:

Cllrs J I G Blackler, B F Cane, P Coulson, R D Gilbert and R C Steer

Officers in attendance:

All Agenda Items: Chief Executive, Strategic Director (Community), Strategic Director (Resources), Head of Financial Services, Member Support Services Manager, Communications Manager and Corporate Director (West Devon).

**E.97/08      MINUTES**

The minutes of the meeting of the Executive held on 8 January 2009 were confirmed as a correct record and signed by the Chairman.

**E.98/08      MEMBERS IN ATTENDANCE**

It was noted that the following Members were in attendance and participated during the discussion on the under-mentioned items:-

Items 8 and 9 (minutes E.102/08 and E.103/08 below refer) – Cllr Brazil;

Item 8 (minute E.102/08 below refers) – Cllrs Baldry, Baverstock, Cook, Pannell, Rowe and Squire; and

Item 9 (minute E.103/08 below refers) – Cllr Howarth.

**E.99/08      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 none were made.

**E.100/08 PUBLIC QUESTION TIME**

It was noted that no public questions had been received.

**E.101/08 REPORTS OF OTHER BODIES**

**RESOLVED**

That the following be received and that any recommendations contained therein be approved:

- a) Prosperity Policy Development Group: 9 December 2008**
- b) Environment Policy Development Group: 16 December 2008**
- c) Community Policy Development Group: 6 January 2009**

**RESOLVED**

1. That progress on the Public Space Capital Programme “essential” works be noted; and
- 2 (a). That the recommended works in relation to “improving quality of Public Space” and “places for activity and exercise” (as detailed at presented Appendix 2 of the report considered by the Group) be considered by the Executive for incorporation into the future Capital Programme when it is next reviewed during spring 2009, at a cost of £295,000 and;
- 2 (b). That in considering opportunities to progress the recommended works, priority be given to the works under the “places for activities and exercise” ahead of the “improving quality of Public Space”.

- d) Scrutiny: 15 January 2009**

**E.102/08 DRAFT BUDGET PROPOSALS 2009/10**

A report was considered which set out the Council’s financial position over the medium term and sought to act as a framework for developing the final budget proposals, which would include the appropriate level of Council Tax and service provision. The report advised that the recommendations of the Executive would be considered by full Council at its meeting on 5 February 2009, when Government grants should be known with certainty.

The report concluded that this year had seen the worst ever Revenue Support Grant (RSG) settlement for district councils, with South Hams only receiving a 0.5% increase, compared with the November Consumer Price Inflation figure of 4.1%. This represented a cut in real terms of 3.6%, which the Council had to make up with efficiency savings on its services and by reducing its reserve contributions.

Each year the preparation of annual budgets became more challenging than before; this year was particularly difficult due to the general economic conditions, uncertainty in financial markets and falling interest rates. Uncertainty also existed over the future funding and structure of local government. Central Government was awarding the Council low increases in RSG, whilst insisting on low single figure increases in Council Tax levels.

Therefore, it was imperative that the Council continued to find new ways of working and efficiencies that were achievable over the upcoming five years to avoid short term problems and make the annual budget setting process smoother. The Policy Development Groups had expressed a wish to review services (taking into account budgets and outcomes), which would build upon the process undertaken by the Executive over the past twelve months.

The report stressed that these were exceptional times and South Hams residents and local businesses faced a very difficult year. The Budget included direct measures to help the local economy with the freezing of Council Tax and car parking charges, in addition to the introduction of a concessionary residents' car parking scheme. The report now sought the Executive's final recommendations as to how it wished to reconcile the competing demands of additional expenditure, improved service provision and sound financial management.

The Executive proceeded to consider the presented report on a section by section basis, during which the following points were raised:-

- a) **Introduction** – it was suggested that delegated authority in the presented officer recommendation (f) should be given to the Strategic Director (Resources), in consultation with the lead Executive Member for Financial Affairs. This suggestion was subsequently **PROPOSED** and **SECONDED**;
- b) **The Core Budget and Main Issues for the Council in 2009/10:-**

- (i) **Formula Grant (formerly Revenue Support Grant)** – officers announced that Government had now confirmed that the grant funding figures for the Council (as outlined in the presented Budget report) would be in line with the provisional indications. In response, a number of Members stated their strong disquiet in respect of the derisory and minimal amount of Formula Grant received by the Council. The belief was expressed that the Council was penalised for its efficiency as well as the incorrect national perception that due to the average property prices in the South Hams being so high, the area did not experience any deprivation.

It was noted that since the formula used to calculate the Formula Grant had become so much more complicated, it had consequently become increasingly difficult to understand (and therefore challenge) the levels of Formula Grant awarded. Nevertheless, and particularly when considering that the issue could get worse in the future due to the economic climate, Members felt that the Council should put down a marker. It was therefore requested that representations be submitted to the local MPs on this issue. The wish was also expressed that the affect of the Second Homes market in the South Hams should also be incorporated into these representations;

- (ii) **Economic Situation** – a non-Executive Member made reference to the closures in Totnes of Dartington Arts College and the Dairy Crest site. The Member highlighted that these had occurred before the credit crunch and current banking crisis, which had resulted in the area being particularly badly hit;
- c) **Consultation, Options to Close the Budget Gap and Bids for Additional Resources:-**
- (i) **Shared Services and Staff Vacancy Vetting** – whilst acknowledging that to achieve £100,000 in savings would be a challenge, Members considered it to be appropriate;
  - (ii) **Affordable Housing Reserve** – some Members felt the proposed accounting change (which it was stressed would not affect the commitment of the Council to delivery of Corporate Priority 1) was expedient;

- (iii) **Car Parking** – although welcoming the proposal to freeze car parking charges at 2008/09 levels, a non-Executive Member (who was also a County Council Member) made reference to the recent VAT reductions not being reflected in these charges. The Member hoped that the Council would not increase car parking charges as and when the VAT level was restored to its previous level. A number of Members proceeded to make reference to the County Council imposing on-street parking meters onto Totnes High Street, which it was felt would have a detrimental impact upon the town centre businesses. In response, the non-Executive Member advised that the County Council was responding to the wishes of the local community in light of the Totnes Chamber of Commerce supporting the implementation of such meters.

It was requested by a non-Executive Member that the Leader write to the County Council in respect of on-street parking meters in Totnes. In particular, the Member wished to find out if the income generated from these meters would be ringfenced, and therefore spent in the local Totnes area, or whether it would be used elsewhere in the County. In reply, the Leader agreed to this request and informed that he would provide an update at the next Council meeting on 5 February 2009.

d) **Next Steps – Achieving a Balanced Budget:-**

- (i) **Bid B1. E-Newspaper** – the Executive unanimously supported the deletion of this Bid from the revenue budget, but supported it being alternatively financed from the Economic Development Reserve;
- (ii) **Bid B2. Mechanical Sweet Sweeper** – the Executive unanimously supported this Bid.
- (iii) **Bid B3. Community Grant Fund** – the Executive unanimously supported this Bid.
- (iv) **New Bid B4. Sustainable Community Locality Budget** – when considering the savings and bids supported, it was noted that there was a negative balance of £41,674 in the Budget. Therefore, more savings had been identified than were required to balance the Budget.

As a consequence, it was **PROPOSED** and **SECONDED** that a new Bid be included in the Budget, whereby each Member of Council be allocated a Locality Budget of £1,000 each to spend within their local Wards. It was felt that this Locality Budget should be utilised by Members in accordance with the criteria set out in the Sustainable Communities Act.

A number of Members welcomed this suggestion and made reference to the increased onus being given to the Sustainable Communities Act and the proposal allowing Members a means to influence, and spend monies in, their local communities.

Whilst also supporting this proposal, some non-Executive Members hoped that the process would not be overly bureaucratic or cumbersome. Furthermore, and when highlighting that several Members belonged to a vast number of different local groups and forums, a non-Executive Member also made reference to the need to be clear on the issue of any potential conflicts of interest. In reply, it was agreed that legal advice would be sought prior to the scheme being implemented.

When put to the vote, this Bid was unanimously supported.

- (v) **No increase in Council Tax for 2009/10** – a number of Members welcomed the intention to recommend no increase in Council Tax for 2009/10. Moreover, a non-Executive Member felt that this intention signalled that the Council recognised the seriousness of the economic situation. The Member also urged the Leader of Council to lobby the County Council, Police Authority and the Fire and Rescue Service in an attempt to persuade these authorities to follow the lead of the Council and retain their precepts at the 2008/09 levels. The Member felt that it was incumbent on all authorities to do their level best to mitigate the current economic problems facing residents. In response, the Leader agreed to this request and advised that he would contact these authorities and provide an update at the next Council meeting on 5 February 2009.

It was then:-

### **RECOMMENDED**

That Council be **RECOMMENDED** that:-

1. There be no increase in Council Tax for 2009/10;
2. The following sums should be included in the overall budget:

	£
Provision for inflation	500,000
Existing bids approved in previous years	15,000
External Interest receivable	930,000
Reversal of capital charges and pension charges (FRS17)	2,368,000
Net contributions to Reserves	1,014,200
3. Savings of £493,550 be approved, as identified by the Corporate Management Team, that are already achieved or can be implemented by managers;
4. The achievement of an additional savings target by the Strategic Management Team from Shared Services and staff vacancy vetting of £50,000 (over and above the existing target) be approved;

5. The Executive determine the amounts for Bid items to be included within the Authority's Budget:

To be financed from the General Fund:-

- (i) Mechanical Street Sweeping - £46,000
- (ii) Sustainable Community Locality Budget - £41,674
- (iii) Increase Community Grant Fund - £10,000

To be financed from the Economic Development Reserve:-

- (iv) E-Newspaper - £10,000

6. The Council should set its total net expenditure for 2009/10 at £10,395,924, subject to final confirmation of Government Grant. If the Government changes the Grant, delegated authority be given to the Strategic Director (Resources), in consultation with the lead Executive Member for Financial Affairs, to make a corresponding amendment to the contributions to Reserves to bring the total net expenditure back to that agreed by the Executive;
7. The level of reserves (as set out within Appendix F of the presented report) and the assessment of their adequacy and the robustness of budget estimates be noted. (Section 7) This is a requirement of Part 2 of the Local Government Act 2003; and
8. The minimum level of the General Reserve Balance be maintained to at least £1.5 million.

## E.103/08 **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2009/10**

The Executive considered a report which advised of the Council's Treasury Management Strategy and the prudential indicators and limits as detailed within the presented report.

The report stated that the security of investments and the income generated by Treasury Management Activity were vitally important to the Council. Income from investments was estimated to total £930,000 in 2009/10, equivalent to approximately £25 per average Band D Council Tax. The Strategy set out how the Council would approach the task of managing its investment activity in the forthcoming year during what promises to be a very difficult economic period. The Strategy attempted to maximise the income from investments, subject to the overriding management of risks, with risk limitation being more important than investment return.

During discussion, the following points were raised:-

- (a) It was noted that officers were still investigating all aspects of the alternative credit rating advisors. As an assurance, the lead Executive Member informed those present that the advice received from Sector Treasury Services (the appointed treasury advisor to the Council) was paid for by the contract sum only and that there were no other monies exchanged;
- (b) As an indication of the ever changing nature of the financial situation, officers advised that since the agenda report had been published, the long term credit rating of MBNA Europe Bank Ltd had been downgraded from 'AA -' to 'A+' (presented Appendix C refers). As a consequence, it was noted that this bank no longer met the proposed minimum credit rating criteria required for the Council and had been deleted from the lists of Banks/Building Societies which were able to be used by the Council to deposit monies;
- (c) In respect of Appendix B of the presented agenda report, the lead Executive Member proposed an amendment to the circulated list in particular respect of the Council's Clearing Bank – Co-operative Bank plc. To ensure that the Council did not have to breach its own rules in certain circumstances, the Member sought for the credit rating to be installed as 'A', the maximum funds lent to be increased to '£5 million' and for the maximum lending period to be installed as 'overnight'. Although it was unlikely that the £5 million threshold would ever be required, officers advised that in cash flow management terms, this amendment would provide the Council with adequate flexibility. This proposal was subsequently **SECONDED**;
- (d) When considering that a greater spread of monies would minimise the levels of risk, a non-Executive Member questioned whether the proposed maximum limit to invest in any institution of £2.5 million was too high. In response, officers stated that they had considered the proposed limit and had recommended that it be halved from the previous maximum of £5 million. It was noted that a smaller number of financial institutions who met the Council's credit rating criteria were prepared to accept transactions of £2.5 million. However, officers were confident that this proposal would meet the fine balance between being able to undertake suitable financial transactions and the need to spread potential risk.

**RESOLVED**

1. That the Treasury Management Strategy Statement and Annual Investment Strategy for 2009/10 be approved; and
2. That quarterly updates on the Treasury Management Strategy be received during 2009/10.

**(NOTE: THESE DECISIONS WILL BECOME EFFECTIVE FROM 5.00PM ON 2 FEBRUARY 2009, WITH THE EXCEPTION OF E.102/08, WHICH IS A RECOMMENDATION TO THE FULL COUNCIL MEETING ON 5 FEBRUARY 2009, UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).**

(Meeting commenced at 10.00 am and concluded at 11.15 am).

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Chairman