

Phil Norrey
Chief Executive

To: The Chairman and Members of
the Corporate Services
Scrutiny Committee

County Hall
Topsham Road
Exeter
Devon
EX2 4QD

(See below)

Your ref :
Our ref :

Date : 17 June 2016
Please ask for : Karen Strahan on 01392 382264

Email: karen.strahan@devon.gov.uk

CORPORATE SERVICES SCRUTINY COMMITTEE

Monday, 27th June, 2016

A meeting of the Corporate Services Scrutiny Committee is to be held on the above date at 2.00 pm in the County Hall, Topsham Road, Exeter, EX2 4QD to consider the following matters.

P NORREY
Chief Executive

A G E N D A

PART ONE - OPEN COMMITTEE

- 1 Apologies
- 2 Minutes
Minutes of the meeting held on 24 March 2016, previously circulated.
- 3 Items Requiring Urgent Attention
Items which in the opinion of the Chairman should be considered at the meeting as matters of urgency.
- 4 Public Participation
Members of the public may representations/presentations on any substantive matter listed in the published agenda for this meeting, as set out hereunder, relating to a specific matter or an examination of services or facilities provided or to be provided

MATTERS FOR CONSIDERATION OR REVIEW

5 Enterprise Zone Spotlight Review (Pages 1 - 30)

(a) Report of the Scrutiny Officer and Chairman of the Spotlight Review (CS/16/22), attached.

(b) Report of the Head of Economy and Enterprise (EE/16/10), attached.

6 Risk Register (Pages 31 - 36)

Report of the Head of Services for Communities on the Risk Register (SC/16/8), attached.

Members are asked if they have any specific issues to raise on the register, other than general questions, please raise these with the Clerk / Scrutiny Officer prior to the meeting in order that the most appropriate officer can attend and answer those specific queries.

7 Treasury Management Stewardship Annual Report 2015/2016 (Pages 37 - 42)

Report of the County Treasurer (CT/16/60) on the Treasury Management Stewardship Annual Report 2015/2016, attached.

8 Tender Process for Highway Maintenance Contract

Head of Highways, Capital Development and Waste to report. This item is being brought to the Committee in view of their recent work and recommendations regarding the involvement of Corporate Services Scrutiny in Commissioning activity.

9 Locality Budget Annual Report 2015/2016 (Pages 43 - 46)

Report of the Head of Services for Communities (CS/16/5), attached.

10 Scrutiny Work Programme (Pages 47 - 50)

Scrutiny Officer to report.

In accordance with the previous practice, Scrutiny Committees are requested to review the list of forthcoming business (previously circulated) and determine which items are to be included in the Work Programme. The Work Programme is also available on the Council's website at <https://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-work-programme/>

Members of the Committee may also wish to consider topics for future Member Development sessions.

The Committee may also wish to review the content of Cabinet Forward Plan (available at <https://new.devon.gov.uk/democracy/how-the-council-works/forward-plan/>) to see if there any specific items therein the Committee might wish to explore further.

In addition, at the recent Chairs and Vice Chairs of Scrutiny meeting on 8th June, Members agreed that the Domestic Abuse and DOLS items currently included in the People's Work Programme being 'transferred' to the Corporate Services Scrutiny Committee.

Income Generation Task Group

A verbal update on the work of the Income Generation Task Group will be provided by Members of the Task Group.

MATTERS FOR INFORMATION

11 Briefing Papers, Updates & Matters for Information

Members are asked to advise the Scrutiny Officer if they wish to raise any matter or ask any question in relation to this item in order that arrangements may be made for appropriate Heads of Service or their representatives to be available.

PART II - ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PUBLIC AND PRESS

Nil

Members are reminded that Part II Reports contain confidential information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Democratic Services Officer at the conclusion of the meeting for disposal.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership

Councillors J Brazil (Chairman), K Ball, J Berry, A Boyd, P Colthorpe (Vice-Chair), M Edmunds, G Gribble, R Hosking, R Julian, J Knight, J Owen, R Rowe, R Westlake, R Younger-Ross and J Yabsley

Declaration of Interests

Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.

Access to Information

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Karen Strahan on 01392 382264

Agenda and minutes of the Committee are published on the Council's Website.

Webcasting, Recording or Reporting of Meetings and Proceedings

The proceedings of this meeting may be recorded for broadcasting live on the internet via the 'Democracy Centre' on the County Council's website. The whole of the meeting may be broadcast apart from any confidential items which may need to be considered in the absence of the press and public. For more information go to: <http://www.devoncc.public-i.tv/core/>

In addition, anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use Facebook and Twitter or other forms of social media to report on proceedings at this meeting. An open, publicly available Wi-Fi network (i.e. DCC) is normally available for meetings held in the Committee Suite at County Hall. For information on Wi-Fi availability at other locations, please contact the Officer identified above.

Public Participation

Devon's residents may attend and speak at any meeting of a County Council Scrutiny Committee when it is reviewing any specific matter or examining the provision of services or facilities as listed on the agenda for that meeting.

Scrutiny Committees set aside 15 minutes at the beginning of each meeting to allow anyone who has registered to speak on any such item. Speakers are normally allowed 3 minutes each.

Anyone wishing to speak is requested to register in writing with Karen Strahan (karen.strahan@devon.gov.uk) by 0900 hours on the day before the meeting indicating which item they wish to speak on and giving a brief outline of the issues/points they wish to make.

Alternatively, any Member of the public may at any time submit their views on any matter to be considered by a Scrutiny Committee at a meeting or included in its work Programme direct to the Chairman or Members of that Committee or via the Democratic Services & Scrutiny Secretariat (committee@devon.gov.uk). Members of the public may also suggest topics (see: <https://new.devon.gov.uk/democracy/committee-meetings/scrutiny-committees/scrutiny-work-programme/>)

All Scrutiny Committee agenda are published at least seven days before the meeting on the Council's website.

Emergencies

In the event of the fire alarm sounding leave the building immediately by the nearest available exit, following the fire exit signs. If doors fail to unlock press the Green break glass next to the door. Do not stop to collect personal belongings, do not use the lifts, do not re-enter the building until told to do so.

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If you need a copy of this Agenda and/or a Report in another format (e.g. large print, audio tape, Braille or other languages), please contact the Information Centre on 01392 380101 or email to: centre@devon.gov.uk or write to the Democratic and Scrutiny Secretariat at County Hall, Exeter, EX2 4QD.



Induction loop system available

Heart of the South West Enterprise Zone Spotlight Review

1. Background

What are Enterprise Zones?

The current iteration of Enterprise Zones was established by the Government in 2012, as part of their long term economic plan. They are geographically defined areas, which aim to support growth by encouraging businesses to locate within them, providing a number of incentives, including:

- Up to 100% business rate discount worth up to £275,000 over 5 years
- Simplified local authority planning
- Roll out of super-fast Broadband where necessary
- For zones in Assisted Areas, 100% enhanced capital allowances (tax relief) to businesses making large investments in plant and machinery

Any business rates growth generated by the Enterprise Zone (over the next 25 years) is retained by the Local Enterprise Partnership (LEP) to reinvest in local economic growth¹.

An Enterprise Zone in East Devon

The Heart of the South West LEP responded to the Government's invitation to submit proposals for an Enterprise Zone with a proposal consisting of five sites; Exeter Science Park, Sky Park, Exeter Airport Business Park, Cranbrook and Huntspill Energy Park (the first four of these being located in East Devon and the fifth near Bridgwater, Somerset). The proposal was compiled following a rigorous process which scored proposals from across the LEP area against the Government's key selection criteria. On 25 November 2015, within the Autumn Statement, the Chancellor confirmed that the Heart of the South West LEP's Enterprise Zone bid had been accepted². The announcement does not confer automatic Enterprise Zone status; the Enterprise Zone will only become operational following the development of a business case, the agreement of governance arrangements and the approval and sign up of key partners.

At their meeting on 24 March 2016, the Corporate Services Scrutiny Committee resolved to hold a Spotlight Review to undertake a closer assessment of the potential effects upon both the Enterprise Zone area in East Devon, the County Council and District Councils, prior to the issue being considered by Cabinet. The findings of the Spotlight Review, held on 5 May 2016, are detailed in this report.

¹ <http://enterprisezones.communities.gov.uk/about-enterprise-zones/>

² <http://www.heartofswlep.co.uk/news/new-enterprise-zone-announced-heart-south-west>

2. Findings

What potential benefits will an Enterprise Zone in East Devon bring?

Enterprise Zones have been established by the Government to be a driving force of local economies, unlocking key development sites, consolidating infrastructure, attracting business and creating jobs³.

According to data published on the Government's Enterprise Zones website, Enterprise Zones are responsible for creating 23,786 jobs between April 2012 and September 2015, and attracting 635 businesses and £2.4 billion of private investment nationally, over the same period⁴.

Devon is currently experiencing economic growth. An Enterprise Zone will help build on that success, and help the LEP to market Devon and Somerset as prosperous and forward thinking places to live and work. The incentives available to businesses are expected to encourage business growth, inward investment and provide job opportunities for local people.

Other impacts and unintended consequences

The potential benefits of an Enterprise Zone in East Devon have been well publicised. However there are a number of concerns, relating to the impact of the proposal on the County Council's business rates income and the economic development of other parts of the County, which need to be considered.

Why East Devon?

As part of the Exeter and East Devon Growth Point, the area of East Devon has benefited from a large amount of investment and development, with the creation of Skypark, Exeter Science Park and the new town of Cranbrook. Skypark is already predicted to create up to 6,500 jobs over the next 20 years⁵, while Exeter Science Park aims to have 3000 jobs at its site, once completed⁶. The area also has excellent transport links and the Exeter and East Devon Growth Point has raised the profile of the development programme at central government level⁷. Members of the Spotlight Review therefore found it difficult to see what direct benefit an Enterprise Zone will bring to these already prosperous and growing sites.

Other areas of the County have not benefited from similar levels of investment and could arguably benefit more from the advantages an Enterprise Zone could bring. North Devon District Council did propose a potential Enterprise Zone area within its boundaries, but this did not fully meet the criteria proposed by Government and was therefore not taken forward by the LEP.

³ <http://enterprisezones.communities.gov.uk/about-enterprise-zones/>

⁴ <http://enterprisezones.communities.gov.uk/ez-data-release-29-03-2016/>

⁵ <http://www.skyparkexeter.co.uk/>

⁶ <http://www.exetersciencepark.co.uk/about/faq>

⁷ <http://www.exeterandeastdevon.gov.uk/who-are-we/>

Agenda Item 5

Displacement

Incentivising businesses to locate in Enterprise Zones carries the potential risk of attracting businesses from other parts of the County, causing a displacement affect. If the vacated properties were to remain empty, the Council would lose business rates income as a result. The loss of local businesses to the Enterprise Zone could also have a detrimental impact on the local economies of the communities left behind, with the potential for job losses.

East Devon District Council is currently undertaking research into the potential displacement effects of the proposed Enterprise Zone and potential ways of mitigating this.

Business Rates Retention

If the Enterprise Zone in East Devon is brought into operation, the County Council would not receive any direct business rate growth, as these monies would be managed separately through a governance agreement between relevant local authorities and the LEP, to be reinvested in local economic growth. This gives more jurisdiction to the LEPs, but less direct control over investment of business rates for the County Council.

These yet to be determined governance arrangements would control exactly how this money would be reinvested, and although there is likely to be some flexibility, government has indicated that its priority is for further investment within the Enterprise Zone area itself. This has the potential to exacerbate strong economic growth in one area of the County, leaving other areas underfunded and overlooked.

Capital Investment

It is not yet clear what capital investment the Council will be expected to make to support the Enterprise Zone. The Council has no budget for this in the 2016/17 financial year, and its Treasury Management Policy does not allow for borrowing. Likewise, there has been no financial incentive or support from government for the establishment of the Enterprise Zone.

3. Conclusion and Next Steps

After considering the evidence presented, it is clear that the proposed Enterprise Zone area in East Devon has the potential for accelerating economic growth and prosperity, and would also provide an opportunity for stronger marketing and promotion of the area at a national level. However, an Enterprise Zone would also have an impact on the Council's business rates income, and could impact negatively on the economic development of other parts of the County.

In summary, Members felt that there were a number of questions which needed to be answered before submitting any recommendations to Cabinet.

- Does an Enterprise Zone in East Devon offer any financial benefit to the County Council?
- How have LEP's in other parts of the country (particularly in rural areas) mitigated the effects of displacement and how successful has this been?
- Why was the bid by North Devon District Council not deemed to be viable and therefore not supported by the LEP?

- How much opportunity will there be to reinvest business rate growth in areas outside of the Enterprise Zone?

A further report, responding to the questions posed above, will be brought to the Corporate Services Scrutiny Committee on 27 June 2016, and considered alongside the findings of this Spotlight Review, prior to consideration by Cabinet on 13 July 2016.

4. Membership

The Spotlight Review was chaired by Councillor Julian Brazil, Chairman of the Corporate Services Scrutiny Committee. Councillors Kevin Ball, Polly Colthorpe, Mike Edmunds, Richard Hosking and Ray Radford attended and contributed to the review.

5. Sources of Evidence

Members of the Spotlight Review would like to express thanks to County Council Officers Jamie Evans (Economy & Enterprise) and Peter Lappin (Finance) for their attendance and expert advice during the Spotlight Review session on 5 May 2016.

Bibliography

Exeter and East Devon Growth Point
<http://www.exeterandeastdevon.gov.uk>

Exeter Science Park
<http://www.exetersciencepark.co.uk>

Financial Times, Second Wave of UK Enterprise Zones Planned
<http://www.ft.com/cms/s/0/5430b8b6-69a3-11e4-9f65-00144feabdc0.html#axzz48LAyHiGo>

Heart of the South West Local Enterprise Partnership
<http://www.heartofswlep.co.uk/news/new-enterprise-zone-announced-heart-south-west>

HM Government: Enterprise Zones
<http://enterprisezones.communities.gov.uk>

Public Policy Institute for Wales, Governing for Success: Reviewing the Evidence on Enterprise Zones
<http://ppi.wales.gov.uk/files/2015/02/PPIW-Report-Governance-of-Enterprise-Zones.pdf>

Skypark
<http://www.skyparkexeter.co.uk/>

Agenda Item 5

6. Contact

For all enquiries about this report or its contents please contact:

Vicky Church (Scrutiny Officer) victoria.church@devon.gov.uk 01392 383691

Spotlight Review into the proposed East Devon / Exeter Enterprise Zone

Report of the Head of Economy and Enterprise

1. Summary

- 1.1 This report addresses the four questions from the Spotlight Review of the East Devon Enterprise Zone

2. Introduction / Background

- 2.1 At their meeting on 24 March 2016, the Corporate Services Scrutiny Committee resolved to hold a Spotlight Review to undertake a closer assessment of the potential effects upon both the Enterprise Zone area in East Devon, the County Council and District Councils, prior to the issue being considered by Cabinet.
- 2.2 At the conclusion of the review, Members felt that there were a number of questions which needed to be answered before recommendations could be made to Cabinet.
- Does an Enterprise Zone in East Devon offer any financial benefit to the County Council?
 - How have Local Enterprise Partnerships (LEPs) in other parts of the country (particularly rural areas) mitigated the effects of displacement and how successful has this been?
 - Why was the bid by North Devon District Council not deemed to be viable and therefore not supported by the LEP?
 - How much opportunity will there be to reinvest business rate growth in areas outside of the Enterprise Zone?

3. Financial impact on Devon County Council

- 3.1 Unfortunately it isn't possible to give a definitive answer at this time due to the level of uncertainty over the way Enterprise Zones will work under future plans for Business Rates, the level of growth and displacement and the final Governance Agreement. However, based on the assumption that Enterprise Zones will work in the future as they work now and that the Governance Agreement will give control over the level of rate relief given and the rates received, it is reasonable to expect some long term financial benefit. In the short to medium term the rate free periods could result in lost income; it is possible that without the incentives provided by the Enterprise Zone the business growth would not have taken place so there is no loss, but we do not of course know that for sure and it could be that it would have happened anyway.
- 3.2 Funds will be held by the Business Rates collection authority, which in this instance is East Devon District Council.
- 3.3 We are currently working with East Devon District Council and the LEP to explore the possibility of mitigating any loss by this being the first call upon

any proceeds before investment in new initiatives. Discussions are however at a very early stage and there is, as yet, no agreement to that effect.

- 3.4 Indirectly there could be a financial benefit in:
- Greater economic prosperity leading to increased Council Tax Base;
 - Less risk to the Science Park loan guarantee (currently £2.65 million);
 - Earlier repayment of Sky Park loans £1.4 million; and
 - Capital investment by the LEP in future infrastructure and economic development projects.

4. How have LEP's in other parts of the country (particularly rural areas) mitigated the effects of displacement and how successful has this been?

4.1 As part of the approval of the EZ it is a key requirement from DCLG that the LEP provides measures to reduce potential displacement of economic activity.

4.2 At a Local Authority and LEP level there has been agreement that EDDC and DCC will be equal partners in Governance terms, with light touch Governance from the LEP. Any agreement would need to be between EDDC and DCC, ensuring that DCC has influence over the process. The LEP would have oversight of progress, as is currently reported with the Plymouth Enterprise Zone.

4.3 East Devon District Council and DCC are currently investigating ways of minimising potential displacement effects of an Enterprise Zone and expect to draft the Enterprise Zone Business Rates relief policy in August 2016. These measures include focused marketing to growing sectors attracting investment that would not otherwise be attracted to the area, promoting new firm formation, business expansion and inward investment and the use of discretionary Business Rate discounts that are focused on businesses genuinely safeguarding and creating new jobs. This would be in conjunction with existing DCC inward investment activity and that currently undertaken by Skypark and Exeter Science Park.

4.4 As a signatory to any Governance arrangements as required by Government, and as a current beneficiary of Business Rate revenues raised in East Devon, Devon County Council will have the ability to influence this policy. Governance arrangements would form part of a Cabinet, or delegated decision. Draft Governance arrangements are not expected to be drafted until Autumn 2016.

4.5 DCC has provided an example of an existing working Business Rates Discount Scheme policy from the Vale of the White Horse in Oxfordshire which is appended in full. This policy allows Business Rates discounts to be offered to businesses located within the Enterprise Zone and surrounding local area (defined in this instance, in a locality where there is a competitive business climate, as being within an 8 mile radius) when:

- the applicant is relocating to larger premises or is materially increasing the total amount of floorspace it occupies within the Enterprise Zone;
- or
- the applicant can demonstrate that is considerably increasing the permanent workforce, supported by evidence;

or

- the applicant can demonstrate a substantial increase in the turnover of the business, supported by evidence;
- or
- the applicant is relocating to the Enterprise Zone to support or benefit from another organisation or cluster also located in the Enterprise Zone and a clear benefit to the Enterprise Zone or the business concerned can be demonstrated

This and other examples are being considered by DCC and EDDC in developing its own proposal.

5. Why was the bid by North Devon District Council not deemed to be viable and therefore not supported by the LEP?

- 5.1 The Local Enterprise Partnership assessed a proposition which was presented by North Devon District Council for a potential Northern Devon Enterprise Zone on 8th September 2015. A scoring and assessment was undertaken to enable a shortlist, or package of proposals to be submitted to Government. Proposals were assessed against the Government's given criteria as part of the Enterprise Zone call and against LEP strategic priorities.
- 5.2 Feedback from the assessment of this bid stated that whilst the panel was sympathetic to the economic challenges in North Devon, it was felt that an Enterprise Zone isn't necessarily the tool that will deliver a step change in delivery. Of the 8 sites included in the proposition, a number are already serviced and ready to be developed, and the plan would be to use returns from those sites to invest in those currently without infrastructure. It was deemed that the risk was that if demand does not currently exist to fill serviced sites, would it be able to be stimulated sufficiently to ensure sufficient business rate returns. In addition the scale of the opportunity was deemed to be small compared to other proposals. The assessment panel stated that it was, however, extremely interested in the marine industries opportunity presented by Yelland, and would like to work closely with North Devon to explore this further.
- 5.3 The full presentation and scoring of all bids is appended.

6. How much opportunity will there be to reinvest business rate growth in areas outside of the Enterprise Zone?

- 6.1 As part of any Governance arrangements to be agreed between EDDC and DCC and to include current direct recipients of Business Rates revenue from the proposed Enterprise Zone area, Devon County Council will be able to influence the spend of any Business Rate uplift generated within the proposed Enterprise Zone. Government expects that the first call on any funds generated through an Enterprise Zone, will be first and foremost be used to ensure the success of the zone through investment such as required infrastructure and site marketing. The spending of any additional revenues raised will be subject to agreement between signatories of any Governance agreement (a draft Governance agreement is expected in Autumn 2016).
- 6.2 East Devon District Council is currently exploring how to ensure that there is no detrimental impact on the council's revenue budgets. This includes the option to enhance and support some existing activity currently funded through

economic development budgets through business rates growth, distributed under the Governance agreement. As a signatory to any Governance agreement Devon County Council would be able to influence spend in a similar way, which could include a very much wider range of economic development activity spread across a much wider geography. The approach would be to agree and develop an implementation plan between EDDC and DCC to support the Enterprise Zone development and wider economic development objectives of the area, including options across the whole of Devon.

Science Vale Enterprise Zone Business Rates Discount Scheme

The aim of the Science Vale Enterprise Zone is to stimulate business growth in the designated area by providing financial incentives to businesses and simplified planning arrangements to accelerate development. The Enterprise Zone is intended to create jobs and drive local and national growth.

The Science Vale Enterprise Zone covers 92 hectares of designated business land in the Harwell Oxford and Milton Park business parks. A map is attached showing the Enterprise Zone areas. The Science Vale area has an employment growth target of 16,000 jobs over the next 15 years, of which 8400 are to be delivered in the Enterprise Zone.

The government has stated that business rate discounts can be applied as part of the package of incentives for Enterprise Zones. The Vale of White Horse District Council, as the administrative authority for business rates, has discretion to grant a 100% business rates discount for a five year period to businesses within the Enterprise Zone. Discounts will be to a maximum of £55,000 per year, up to £275,000 in total (within state aid regulations) for businesses locating within the Zone before 31 March 2015. The discount is fully funded by Government.

The details of the scheme are set out on the next page.

A. Businesses not already located in the Enterprise Zone prior to 1 April 2012 that take up property in the Enterprise Zone, will be eligible for a discount of 100% of business rates payable, up to the value of £55,000 per annum and a maximum of £275,000 over a five-year period (within state aid regulations), providing:

- the business locates within the defined boundary of the Enterprise Zone;

and

- the business is registered to pay national non-domestic rate before 31 March 2015;

and

- the business is not currently occupying business premises within the Enterprise Zone boundary or the local area*

B. Businesses already located in the Enterprise Zone prior to 1 April 2012, or businesses elsewhere on Milton Park or Harwell Oxford, or within the local area*, that locate within the Enterprise Zone after 1 April 2012, may be eligible for a discount of 100% of business rates payable up to the value of £55,000 per annum and a maximum of £275,000 over a five-year period (within state aid regulations), providing:

- the applicant is relocating to larger premises or is materially increasing the total amount of floorspace it occupies within the Enterprise Zone;

or

- the applicant can demonstrate that is considerably increasing the permanent workforce, supported by evidence;

or

- the applicant can demonstrate a substantial increase in the turnover of the business, supported by evidence;

or

- the applicant is relocating to the Enterprise Zone to support or benefit from another organisation or cluster also located in the Enterprise Zone and a clear benefit to the Enterprise Zone or the business concerned can be demonstrated

***Local area**

Local area is considered to mean anywhere within an eight mile radius of the Enterprise Zone and encompasses Wantage, Grove, Abingdon, Didcot and Wallingford

Appeals

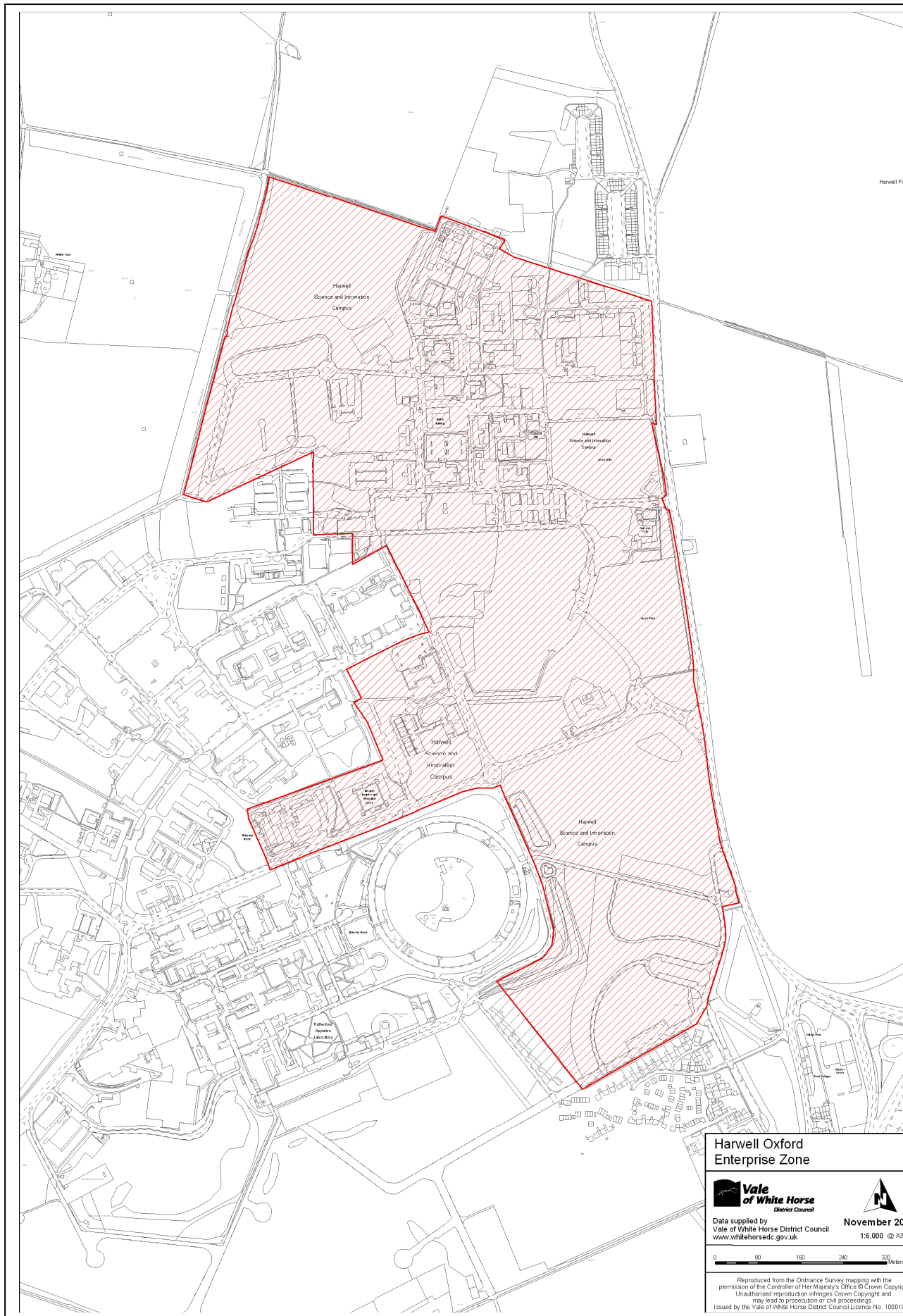
The decision-making body for the purpose of awarding business rate discounts is the Vale of White Horse District Council. Should a business that has applied for a discount disagree with the decision of the council then two nominated Science Vale UK board members* will consider the case and either endorse the decision or ask the council to reconsider, with reasons.

(excluding the directors of Harwell Oxford and Milton Park and the leader of Vale council)*

State Aid De Minimis Regulations

When awarding the business rate discounts within the Enterprise Zone, the Council must administer this within the State Aid De Minimis Regulations. Discounts such as business rates relief are classed as state aid but, providing the benefit does not exceed €200,000 over a 3 year period, the European Commission considers it complies with the de minimis regulations and has a negligible impact on trade and competition

The Vale council is responsible for ensuring the state aid limits are not breached and so will have to ask detailed questions of any business that applies for a discount about other financial support that it may have received.



Harwell Oxford Enterprise Zone

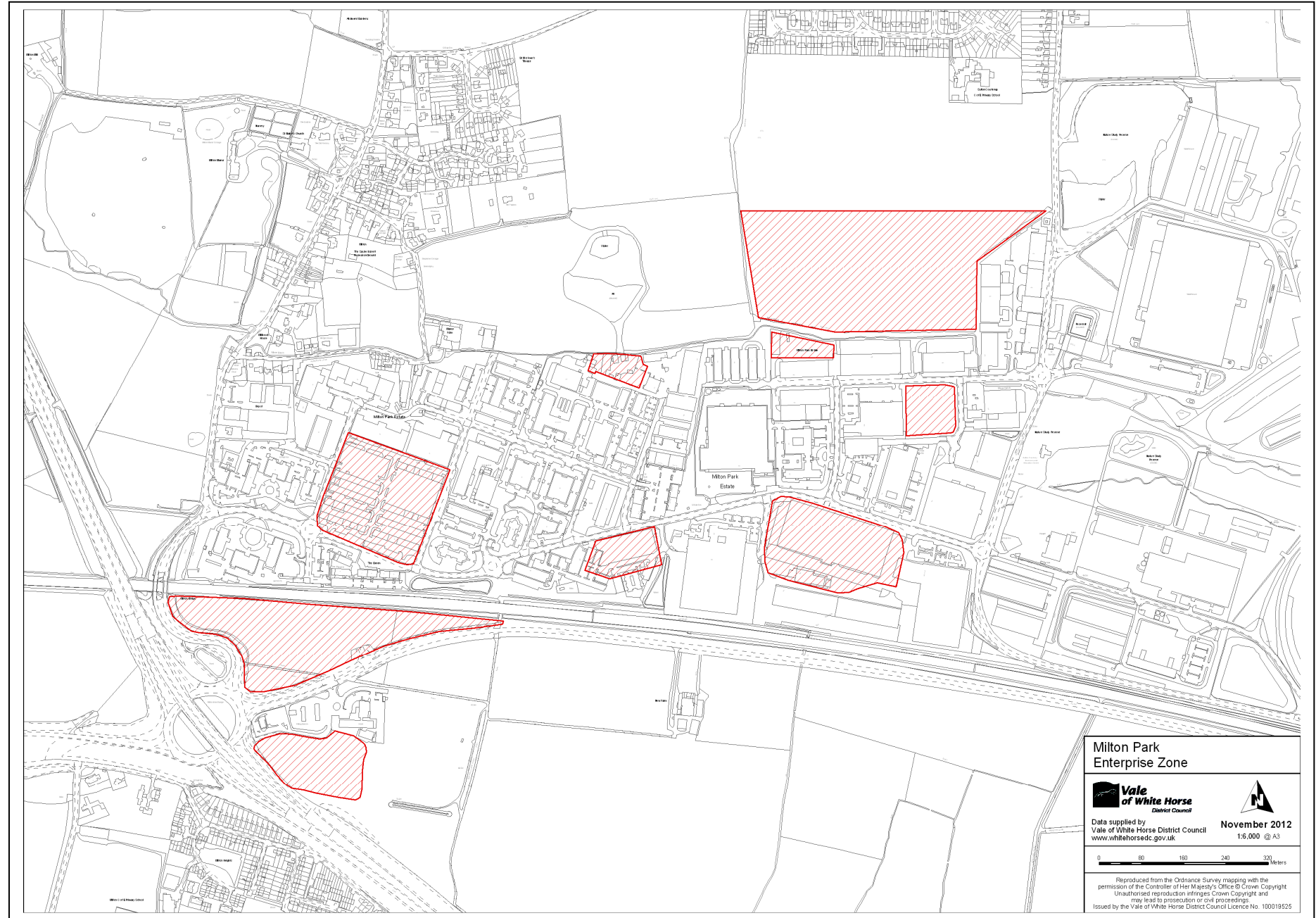
Vale of White Horse District Council

Data supplied by Vale of White Horse District Council
www.whitehorsedc.gov.uk

November 2011
1:6,000 @ A3

0 50 100 200 300 Meters

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Northern Devon Enterprise Zone

September 8th 2015

Ellen Vernon – Economic Development Manager, North Devon Council

Sally Nelson – Senior Regeneration Officer, North Devon Council

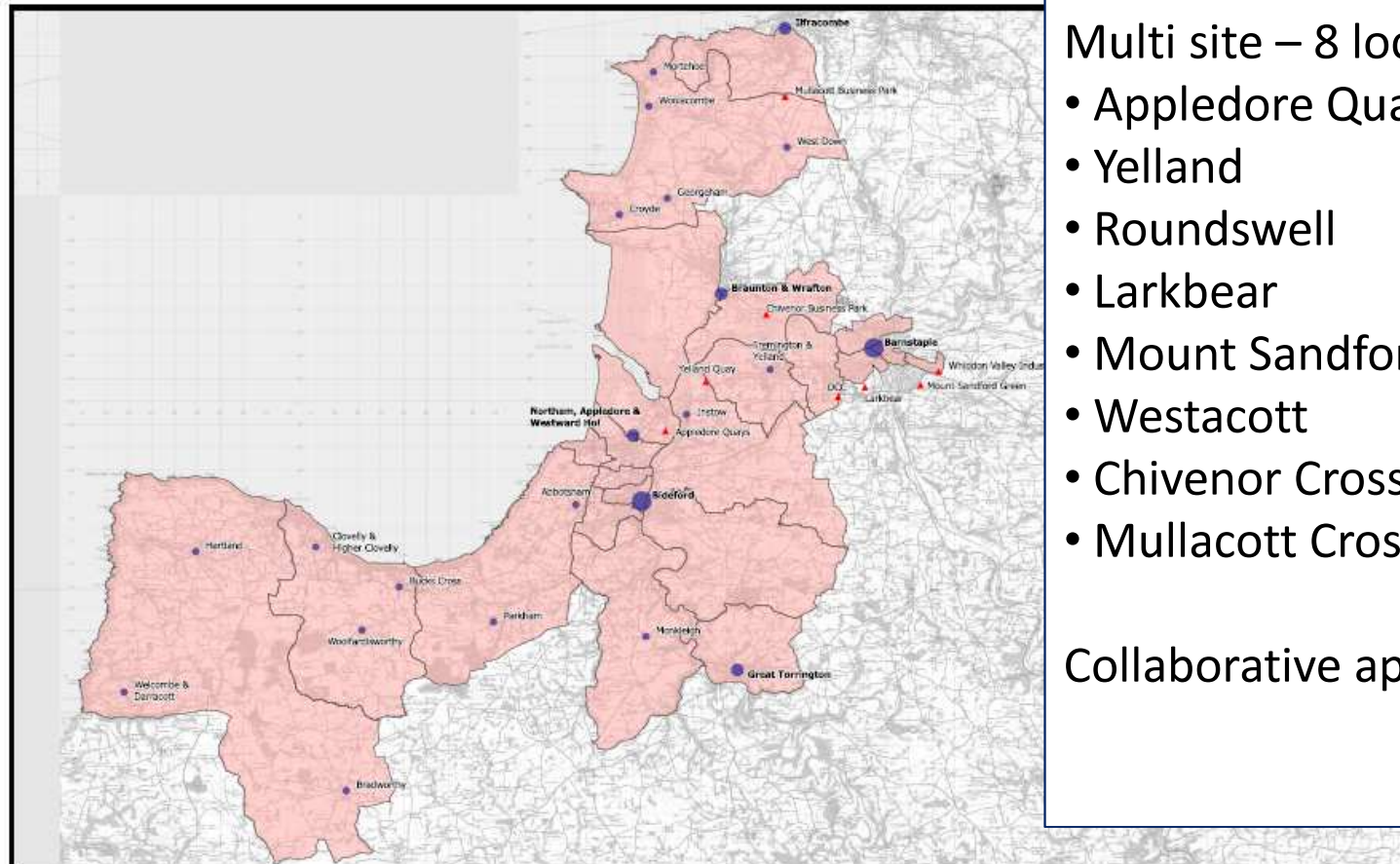
Noel Stevens – Partner, Alder King

Northern Devon Enterprise Zone

Multi site – 8 locations:

- Appledore Quays
- Yelland
- Roundswell
- Larkbear
- Mount Sandford Green
- Westacott
- Chivenor Cross
- Mullacott Cross

Collaborative approach



Northern Devon Multi-site Enterprise Zone

Copy Reported to:
Economic Development Team
Scale: 1:150,000
Date: 2nd September 2019

Why an Enterprise Zone?

Issues:

- Peripherality, rurality, A361
- Land values and build costs mismatch
- No speculative investment, growth stifled
- Assisted Area reflects this

Opportunities:

- Strong local manufacturing presence – FDI, pharma, electronics, aerospace – with supply chain opportunities
- Marine – local marine resources, Tidal Demo Zone, Babcocks presence
- Majority of the 8 sites are consented or expected to be shortly

Enterprise Zone – provides a viable incentive for investment, is deliverable, creates a distinctive investment offer based on genuine strengths and opportunities.



The Enterprise Zone Proposition

For business:

- Business Rates discount for 5 years – stimulates developer investment
- Business Rates discount for 5 years – incentivises indigenous expansions and inward investment
- Links to the Assisted Area benefits:
 - more favourable grant intervention rates
 - links to grants available over the timescale – UBI, RGF, EU 2014-2020
- Clear branding opportunity and marketing hook



The Enterprise Zone Benefits

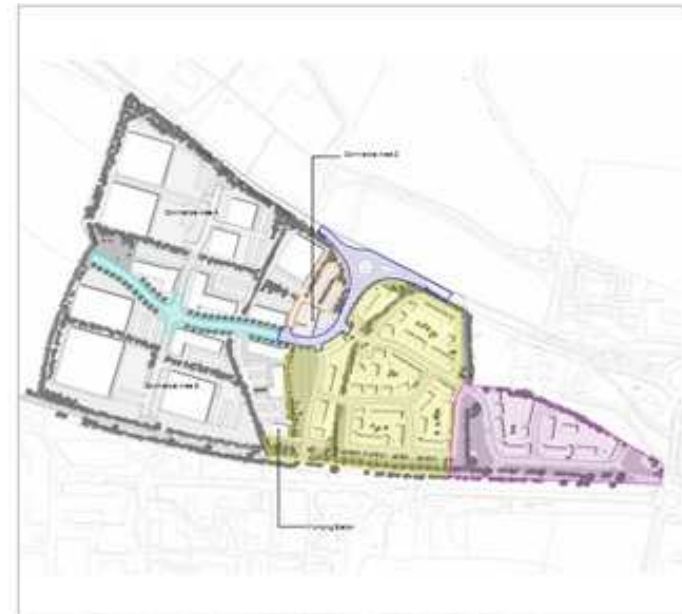
For the locality:

- Speeds up delivery of employment sites
- Unlocks most difficult sites (marine) with most abnormal costs
- Removes residential pressures – a local issue for employment space

Delivers:

- 43.8 hectares
- 144,500 m² of employment floorspace
- 10,863 jobs
- £1,571,000 land value uplift

Minimal impact in terms of displacement



Business Rates Retention – Reinvestment Strategy

- £32.2M forecast
- We recognise the need for an agreed Delivery Plan with the LEP
- We envisage investment in:
 - site delivery of the 8 sites – cross subsidisation benefits
 - marketing, to include soft landing package



Summary – Northern Devon Enterprise Zone

Clear benefits:

- 43.8 hectares
- 144,500 m² of employment floor space
- 10,863 jobs
- £1,571,000 land value uplift
- £32.2M business rates retention forecast

LEP approach:

- DCLG Guidance
 - potential to make a case for two EZ's
 - focus on rural areas, multi-site approaches
- DEFRA
 - 10 point plan for rural economic growth references rural, multi-site EZ's



Heart of the South West LEP

Enterprise Zones Assessment Panel Feedback

Assessment Panel

Paul Taylor, Head of Strategy & Operations, Heart of the South West LEP

Barbara Shaw, Board Director and Chair of Place Leadership Group, Heart of the South West LEP

Nick Ames, Board Director and Chair of Business Leadership Group, Heart of the South West LEP

Ian Knight, Head of Area, Homes & Communities Agency

Declarations of interest

At the start of the meeting Panel members declared potential conflicts:

Paul Taylor, Barbara Shaw, Nick Ames – involvement in Growth Deal funding programme management including projects linked to a number of the EZ proposals

Ian Knight – HCA investment in the Science Park east of Exeter

Summary of Assessment process

The Panel received a 15 minute presentation from each proposal team and then conducted questions for 30 minutes. The proposals were assessed against the criteria in the Government's Application Form, under three headings: strategic fit; value for money; implementation.

Each proposal was scored out of five on each of these criteria, where:

- 1: No evidence is provided. The criterion is not met.
- 2: There is little evidence. The criterion is met in part.
- 3: There is satisfactory evidence. The proposal meets minimum requirements.
- 4: There is good evidence. The proposal exceeds minimum requirements.
- 5: There is excellent evidence. The criterion is fully understood and the proposal surpasses expectations.

Summary of Outcome

All 5 proposals were deemed to have met the minimum criteria and therefore have potential to be a new Enterprise Zone for the Heart of the South West. We are extremely grateful for the hard work that had gone in to both the draft applications forms and the presentations given, and the time taken on the day. See appendix below for detailed scores.

Name of Proposal	Total Score (out of a possible 15)	Rank
Digital Innovation Gateway South West (Taunton)	9	3 rd
Exeter & East Devon Enterprise Zone	11	2 nd
Hinkley Enterprise Zone (Bridgwater)	13	1 st
Northern Devon Enterprise Zone	8	5 th
Western Growth Zone (Torbay)	9	4 th

Recommendation

It is recommended that the LEP support an application from the first and second ranked proposals, namely **Hinkley Enterprise Zone** and **Exeter & East Devon Enterprise Zone**.

The Panel felt that given Government is encouraging multi-site Enterprise Zones, and that both of these proposals have a focus on innovation and productivity linked to transformational opportunities (Environmental Futures and Nuclear) in the SEP, they could easily be linked to form a strong proposal with two distinct and complementary offers linked by common themes and support packages for businesses. A combined proposal would also link with the Government priority on rural and smaller town EZs, with the Hinkley proposals stimulating growth in rural Somerset north of Bridgwater, and the Exeter and East Devon

proposal supporting the further growth of a new town in a previously rural location, albeit linked to the expansion of Exeter city.

If this recommendation is accepted and a combined single application can be achieved in the time now available, we would also like to see the **Digital Innovation Gateway (Taunton)** site added to the proposal.

Based on the preliminary data presented by the proposal teams, this combined application would represent an Enterprise Zone of circa 200 Hectares, with a projected business rate income of £225million over the 25 year life of the Zone.

If this application was successful, the LEP area would have 3 Enterprise Zone locations: Plymouth, Exeter, Bridgwater – each focused on one of smart specialism / transformational opportunities – marine, environmental futures, and nuclear, respectively. With a package of support to stimulate productivity-led growth in these sectors, in these locations, but also enabling all parts of the Heart of the South West area to link in and access support, the panel felt we would have an extremely compelling proposition to Government.

Appendix A: Detailed scores

Digital Innovation Gateway South West (Taunton)		
Criterion	Score	Comments
Strategic economic fit	3	Good fit with SEP and productivity – high value jobs and innovation emphasised.
Value for money	3	Demand evidence from high tech firms eg Atom Cars; opportunity to develop site linked to A358 improvements
Implementation	3	Delivery team to be put in place including Councils, Highways England, Environment Agency, LEP and landowner
Overall strong proposal linked to investment in A358 and LEP investment in Junction 25, both of which open up land for development. At 10-13 Ha the scale was a concern for the panel, who felt a less conservative option drawing in larger/more parcels of land in the vicinity, could have been explored. However we understand the concerns about the exact route of the new A358 and how this may impinge of any site. Good level of synergy with both Hinkley EZ and Exeter & East Devon EZ proposals which could be explored further.		

Exeter & East Devon Enterprise Zone		
Criterion	Score	Comments
Strategic economic fit	4	Very good fit with SEP and smart specialisation in environmental futures and big data, for eg. Proposal focused on innovation and creating higher value jobs
Value for money	3	Proposal appears to be have very strong potential to generate significant returns – further analysis required.
Implementation	4	Growth Point team with strong track record of delivery and underpinned by partnership between local authorities
Proposal fits extremely well with the SEP both in terms of the need to raise productivity and drive growth but also in terms of the transformational opportunity in environmental futures. Investment is being made by the LEP and other partners in the Science Park and any EZ would help unlock these opportunities, whilst also supporting rebalancing of growth at Cranbrook towards economic and employment uses to catch up with major housing growth.		

Hinkley Enterprise Zone (Bridgwater)		
Criterion	Score	Comments
Strategic economic fit	5	Excellent strategic fit. Hinkley is a major transformational opportunity and the EZ directly addresses major risk of a lack of space for Hinkley supply chain firms to locate.
Value for money	4	High levels of demand clearly evidenced through size of UK /international markets for new nuclear and reports that industry is considering sites much further away to service Hinkley.
Implementation	4	Landowner (BAE) working very closely with Council team to ensure delivery. Majority of remediation complete, EZ will fund final remediation and site servicing.
The proposal is an excellent fit with the SEP and the material provided and presentation given provided a high quality of evidence to support the criteria. Hinkley Point C will be the largest construction project in Europe and in conjunction with Bristol and the Oldbury development there is an opportunity to create a new nuclear cluster. Currently, however, there is a severe risk that a lack of space for Hinkley supply chain firms will see opportunities lost. This proposal both addresses a high risk short term need and supports the longer term transformational opportunity.		

Northern Devon Enterprise Zone		
Criterion	Score	Comments
Strategic economic fit	3	Good fit based on links with marine industries and manufacturing. Alignment with investment in the A361 and emphasis on rural multi-site EZs in guidance.
Value for money	2	Scale of sites overall would generate a much smaller return on investment than other proposals.
Implementation	3	North Devon Plus and Employment & Skills Board to work with Councils.
<p>Whilst the panel is sympathetic to the economic challenges in North Devon, it was felt that an Enterprise Zone isn't necessarily the tool that will deliver a step change in delivery. Of the 8 sites, a number are already serviced and ready to be developed, and the plan would be to use returns from those sites to invest in those currently without infrastructure. Risk that if demand is not currently there to fill serviced sites could it be stimulated sufficiently to ensure business rate returns to the LEP? Also the scale of the opportunity is small compared to other proposals. Panel extremely interested though in the marine industries opportunity presented by Yelland, and would like the LEP to work closely with North Devon to explore this further.</p>		

Western Growth Zone (Torbay)		
Criterion	Score	Comments
Strategic economic fit	4	Very strong strategic fit with the SEP based on electronics and photonics smart specialism and need for higher value jobs.
Value for money	3	EZ would have a positive impact and stimulate some growth however overall quantum of rates return relatively limited compared to others
Implementation	2	TDA track record of delivery, however real concern about supermarket owner of one of the sites preventing delivery.
<p>The strategic importance of these developments to the LEP should be reinforced, and the Claylands opportunity in particular to continue to seek funding from the LEP's Unlocking Growth Fund. The LEP is also investing in the EPIC Centre in Paignton and recognises the value of the electronics and photonics cluster to the area. However due to the overall scale of the proposal and the business rates to be generated, and some real concerns over the ownership of one of the three sites being an impediment to delivery, the panel felt that this was not quite right for EZ designation at this stage, when assessed against other proposals.</p>		

APPENDIX B: Summary of Enterprise Zone proposals

Text from draft application forms

Digital Innovation Gateway South West, Taunton

This proposed Enterprise Zone occupies a highly prominent location at the interface of the M5 Junction 25 (Taunton) and A303/358 corridor, providing superb transport connections throughout the South and with the rest of the UK. The Enterprise Zone will form the first phase (10 ha) of the proposed new Strategic Employment Site at this location. The DIG SW Enterprise Zone will be a catalyst for achieving transformational growth in higher value digital and knowledge-based industries, in Taunton, Somerset and the wider Heart of the South West (HotSW) LEP area. It is currently a 'greenfield' site at an advanced stage in the pre-planning process, with evidence of strong commercial demand. Enterprise Zone status is sought to drive transformational growth as stated above, with enabling investment required in hard and soft infrastructure as part of the commercial proposition.

Exeter & East Devon Enterprise Zone

The proposed Enterprise Zone is located to the east of Exeter in East Devon district, close to junction 29 of the M5 and the A30. The zone covers 129 hectares across 5 sites, these are:

- *Science Park*
- *Sky Park*
- *Cranbrook (employment space)*
- *Airport and Airport Business Park*
- *Intermodal Freight Terminal*

This geography has been determined based upon the sites being deliverable and likely to result in increased business rate growth. It is clear that the proposed Enterprise Zone will support the delivery of these 5 employment sites and also support the delivery and growth of the sub region more widely.

Science and technology has been as the key sector for the Enterprise Zone. This is a good fit for existing and emerging activities within the east of Exeter area, and will support the development of Innovation Exeter.

Hinkley Enterprise Zone

The Hinkley Enterprise Zone seeks to capitalise on the development of the first new nuclear power station to be built in the UK in a generation, by bringing forward Huntspill Energy Park, the South West's largest allocated brownfield site.

A 225 acre site located alongside the M5 motorway, and crucially 12 miles from Hinkley Point, Huntspill Energy Park is currently allocated for employment usage, with a specific focus upon low carbon and other energy sector investment. The site benefits from an active consent for 180,000 sq metres of employment space, including provision for primary energy generation on site, as well as related logistics, servicing and industrial uses. The consent also includes permission for related infrastructure, including a new access road to the site from J24 of the M5, as well as a linked package of investment which will benefit the surrounding community.

Northern Devon EZ

The Northern Devon Enterprise Zone will cover eight new employment areas across North Devon and Torridge District Councils. The multi-site Enterprise Zone proposed will cross Council boundaries and provide an incentive for new businesses and investors in Northern Devon. The Northern Devon Enterprise Zone will not be sector specific but by definition some of the sites included will focus on supply chain to existing businesses on adjacent sites eg Appledore Quays which lies adjacent to Babcocks shipyard. The sites across Northern Devon that are included are:

- *Appledore Quays*
- *Chivenor Cross*
- *Larkbear*
- *Mount Sandford Green*

- Mullacott
- Roundswell (south of the A39)
- Westacott
- Yelland

The Western Growth Zone, Torbay

The Western Growth Zone (TWGZ) is a multi-site Enterprise Zone (EZ) proposal across Torbay (and possibly wider) with a focus around supporting innovation and technology predominantly in the hi-tech sector.

Torbay is located on the South coast of Devon, equal distance between Plymouth and Exeter. While traditionally a sea side resort which is dependent upon tourism it is also the heart of the UK's growing photonics sector in leading innovation and research and development in emerging disruptive technology.

The sector currently employs around 960 FTE across South Devon and contributes around £108m per annum to the local economy, half of which is generated through exports. The sector is made up of a number of both micro companies along with leading multi national technology companies which supply some of the lead communication and tech giants including as well as providing components for the aerospace and space sector.

The Western Growth Zone proposal will focus on three strategic key sites:

- *Torbay Gateway/ Edingswell, Torquay*
- *Claylands, Paignton*
- *Whiterock Business Park, Paignton*

Risk report on the progress of the Council's Strategic Priorities

Report of the Head of Services for Communities

1. Summary

This report outlines the current position with regard to risks identified within Corporate Services.

2. Introduction

As well as the legal requirements, risk management is allows the more efficient use and allocation of resources, more informed, transparent and accountable decision-making and allows us to focus on the critical areas for the authority. This report outlines current status of risks identified in the Corporate Services part of the authority.

3. Risk Management

All risks recorded in the Corporate Services Risk Register are shown in **Appendix A**. The risks are assessed at least every six months. Appendix C includes:

- risk status;
- an explanation of the impact of the risk if realised;
- details of the mitigating actions in place to manage the risk, with a status (RAG rating) marker showing progress on each action.

Corporate Leadership Team have recently reviewed the Corporate Services Risk Register as part of their regular business and have decided that all risks with a mitigated score of "High" or "Very high" should be included on the register.

There is now a new risk management site – <http://risks.devon.gov.uk> – which will be replacing the existing Spar.net system. The new site currently holds details for all the "High" and "Very high" risks across the authority, with the remaining risks being migrated across in the near future.

4. Recommendations

The Committee is asked to:-

- Review the information provided in the report;
- Consider items for greater scrutiny in the Forward Plan.

John Smith
Head of Services for Communities

Appendices

Appendix A: Corporate Services Risk Register

Electoral Divisions: All

Cabinet Member for Risk Management: Councillor Roger Croad

Agenda Item 6

Chief Executive: Dr Phil Norrey

Local Government Act 1972: List of Background Papers

Contact for enquiries: Mark Painter

Room No. County Hall, Exeter. EX2 4QD

Tel No: (01392) 383000

Background Paper	Date	File Reference
Nil		

Risks: Corporate Services Risk Register

Risk status
(score)

Overdue (0 - 0)	Low (1 - 9)	Medium (10 - 14)	High (15 - 23)	Very high (24 - 30)
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Mitigating controls

Completed	Green	Amber	Red
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Risk details	Status	Actions and accountable officers
<p>PR01 - Supplier failure: financial and other pressures leading to the failure of supply markets</p> <p>Failure of DCC to adequately manage and support supply markets, defined as 3rd parties undertaking contractual work for DCC to fulfil our strategic objectives and legislative duties, could lead to the failure of those markets.</p>	<p>Inherent status: 20 High</p> <p>Current status : 20 High</p> <p>Risk owner: Kevin Balding</p> <p>Accountable officer: Justin Bennetts</p> <p>Last review: 22 Apr 2016</p>	<p>Green Integrated Category Management</p> <p>Completed Integrated Procurement Category Management (IPCM)</p> <p>Green Corporate Strategy for procurement performance 2008-11</p>
<p>PR06 - Inflationary pressure across markets impacts upon service delivery and budget pressures</p> <p>Impact on the authority (budgets) generally by global and local inflationary pressure Cost reduction and impact on markets Public sector service cuts over the coming years having a destabilising effect on local and national markets in the short term</p>	<p>Inherent status: 16 High</p> <p>Current status : 16 High</p> <p>Risk owner: Kevin Balding</p> <p>Accountable officer: Justin Bennetts</p> <p>Last review: 22 Apr 2016</p>	<p>Green Manage Expectations</p> <p>Amber Understand Markets</p>
<p>BI06 - Data Protection breaches</p> <p>The Council may incur fines and legal actions for damages following incidents of misuse, loss, accidental or deliberate disclosure.</p>	<p>Inherent status: 24 Very high</p> <p>Current status : 16 High</p> <p>Risk owner: Carol Reece</p>	<p>Green Staff training and awareness</p>

	Accountable officer: Colin MacKenzie Last review: 22 Apr 2016	
<p>PR05 - Specifications and commissioning strategies not clearly defined service on behalf of the Council.</p> <p>Service specification not being sufficiently clearly defined to ensure value for money and optimal service outcomes. The tender specification is written around particular products and in some cases this may not actually be what other users require.</p>	<p>Inherent status: 16 High Current status : 16 High Risk owner: Kevin Balding Accountable officer: Justin Bennetts Last review: 22 Apr 2016</p>	<p>Green Compliance with Council Code of Conduct</p> <p>Amber Communication and training</p>
<p>PR09 - Supplier brings a successful challenge in relation to a procurement</p> <p>Risk of successful challenge against DCC. (procurement challenge or Judicial review) Increasing propensity to challenge.</p>	<p>Inherent status: 16 High Current status : 16 High Risk owner: Justin Bennetts Accountable officer: Justin Bennetts Last review: 22 Apr 2016</p>	<p>Green Awareness</p>
<p>FIN39: Failure to deliver priority services as a result of significantly reduced finances</p> <p>Reductions in government funding over the next 3 years will necessitate reductions in local government spending and service provision. DCC has responded by identifying savings in 2015/16 and is identifying the impact of further reductions in subsequent financial years via its Medium Term Financial Planning process This risk covers both a failure to deliver priority services due to inadequate financial planning and an inability to respond to changes arising from significant reductions in Government Finance</p>	<p>Inherent status: 20 High Current status : 16 High Risk owner: Chris Phillips Accountable officer: Mary Davis Last review: 16 May 2016</p>	<p>Amber Medium Term Financial Plan</p> <p>Completed Service Prioritisation 2011-12</p> <p>Completed Programme Devon</p> <p>Completed Work of "Meeting the Challenge" Group</p>

<p><u>BI11 - Failure to adhere to information management standards</u></p> <p>Information is the main asset for DCC services and for the organisation and needs to be managed effectively. Failure to manage information lifecycles, find it when needed, share it appropriately and dispose of it when necessary can all create risks.</p>	<p>Inherent status: 18 High</p> <p>Current status : 15 High</p> <p>Risk owner: Carol Reece</p> <p>Accountable officer: Colin MacKenzie</p> <p>Last review: 22 Apr 2016</p>	<p>Amber Information asset registration</p> <p>Amber Information Standards</p> <p>Amber Electronic Documents and Records Management</p>
<p><u>Reduction in Public Health funding</u></p> <p>Clawback of Public Health reserve funds this year means that Public Health no longer have funding available to respond to immediate Public Health demands. It also may presage future reductions in the recurring funding which could impact on commissioned services</p>	<p>Inherent status: 15 High</p> <p>Current status : 15 High</p> <p>Risk owner: Mark Kealy</p> <p>Accountable officer: Tracey Polak</p> <p>Last review: 09 Jan 2016</p>	

TREASURY MANAGEMENT STEWARDSHIP ANNUAL REPORT 2015/16

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: that the Committee notes the report and considers whether it wishes to make any further comments to Cabinet.

1. Introduction

- 1.1. The County Council has adopted the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management in the Public Services. A revised Code of Practice was published by CIPFA in November 2011 and a revised Policy Statement and Treasury Management Practices (TMPs) were agreed by Council in February 2012. The Treasury Management and Investment Strategy for 2015/16 was agreed by Council in February 2015 and forms part of the published budget book.
- 1.2. Revisions to the Treasury Management and Investment Strategy were supported by the Committee and approved by Cabinet in October 2015. As a result:
 - Barclays were brought back onto the Council's counterparty list;
 - Leeds Building Society and Coventry Building Society were added to the Council's counterparty list;
 - The Treasury Management Strategy now permits investment of up to £30 million in the CCLA (Churches, Charities and Local Authorities) Property Fund. An initial smaller investment of £10 million was made on 31st October 2015 in-line with Cabinet approval.
- 1.3. The Minimum Revenue Provision (MRP) policy on provision for repayment of external debt and internal borrowing was revised following consideration by the Corporate Services Scrutiny Committee in January and approval by Cabinet and the Council in February
- 1.4. The purpose of this report is to show the outturn position, review performance and inform members of any key matters arising from the Council's Treasury and Debt Management activities during the 2015/16 financial year. The report also includes an update on the 2016/17 Strategy. This report, together with any comments offered by this committee, will be considered by Cabinet on 13th July.

2. Minimum Revenue Provision

- 2.1. Each year the Council has a statutory obligation to charge to the revenue account an annual amount of Minimum Revenue Provision (MRP), that is a charge to make provision for the repayment of the authority's external debt and internal borrowing. The charge is based on the historic borrowing required to fund the Council's capital programme.
- 2.2. During the year the MRP policy was reviewed, and the method for calculating the pre-2008 element of the charge was changed from charging 4% per annum on a reducing balance method to basing the charge on the asset life method. This means that the MRP will be charged in equal instalments over the life of the asset benefiting from the capital spend.

Agenda Item 7

This brings the policy for pre-2008 borrowing in line with the policy for post-2008 borrowing. The change was considered by the Corporate Services Scrutiny Committee in January and was agreed by Cabinet and the Council in February.

- 2.3. As a result of the change in policy the MRP charge for 2015/16 to make provision for the repayment if the Council's external debt and internal borrowing was £11.9 million less than the budget. As anticipated in the Medium Term Financial Strategy this sum has been added to the Budget Management Reserve with the intention that it will be used in 2017/18 to help protect services.

3. Treasury Management Outturn Position 2015/16 - Borrowing

- 3.1. The overall aims of the borrowing strategy are to achieve:
 - Borrowing at the lowest rates possible in the most appropriate periods;
 - The minimum borrowing costs and expenses;
 - A reduction in the average interest rate of the debt portfolio.
- 3.2. The Medium Term Financial Strategy assumption was that no new long-term borrowing would be required, although this would be kept under review. This has been made possible by the current capital financing regime, whereby the Government now provides capital grants rather than supported borrowing, and prudent management of the capital programme.
- 3.3. Active treasury management and the maintenance of levels of liquidity aim to avoid the need for short term borrowing. Cash positions are monitored daily and modelled over a monthly horizon to ensure that anticipated liquidity levels are forecast accurately.
- 3.4. However, the identification of temporary shortfalls in available cash meant that short-term borrowing was required for brief periods during September and October. Four loans totalling £14.4m were undertaken from other local authorities, each for a 30 day period at an average rate of 0.30%. The total amounts borrowed were not required for the full term of each loan and we were able to invest the surplus funds at a higher rate resulting in a small net gain to the authority. No further short-term borrowing was required during 2015/16.
- 3.5. In accordance with the Medium Term Financial Strategy, no long term borrowing was undertaken during this financial year. Instead all borrowing required to fund capital expenditure was met from internal cash balances. This position will be kept under review, but the expectation remains that no new external borrowing will be required during the three year period.
- 3.6. No opportunities arose during the 2015/16 financial year to repay outstanding debt without incurring substantial premium penalties, which would negate any benefit of repaying the debt. The Public Works Loan Board (PWLB) sets premature repayment rates, and where the interest rate payable on a current loan is higher than the repayment rate, the PWLB policy imposes premium penalties for early repayment. With current low rates of interest these penalties would be of a significant cost. Therefore it will only make financial sense to repay debt early if the PWLB changes its current policy, or if interest rates rise and cancel out the repayment premiums.
- 3.7. At 31st March 2016 the level of long term debt stood at £507.85m as detailed in the table below.

Analysis of Long Term Debt

	Actual 31.03.15 £'m	Interest Rate %	Current 31.03.16 £'m	Interest Rate %
Fixed Rate Debt				
PWLB	436.35	4.99	436.35	4.99
Money Market	71.50	5.83	71.50	5.83
Variable Debt				
PWLB	0.00		0.00	
Money Market	0.00		0.00	
Total External Borrowing	507.85	5.11	507.85	5.11

3.8. The long term debt figure presented in the Statement of Accounts for 2015/16 is £511.386m (£3.54m greater than the figure stated above). This difference is due to an accounting standard adjustment which requires us to record the value of our long term debt at its Net Present Value in the Statement of Accounts. The LOBOs (Lender Option Borrower Option) have stepped interest rates and are revalued annually based on the effective interest rate for the duration of the loan. This revaluation has the effect of smoothing the stepping of the interest over the life of the loans.

4. Treasury Management Outturn Position 2015/16 - Investments

4.1. The overall aim of the Council's investment strategy is to:

- Limit the risk to the loss of capital;
- Ensure that funds are always available to meet cash flow requirements;
- Maximise investment returns, consistent with the first two aims;
- Review new investment instruments as they come to the Local Authority market, and to assess whether they could be a useful part of our investment process.

4.2. The investment performance of the County Council's cash continues to be affected by the low interest rates introduced as part of the measures used to alleviate the global credit crunch. Interest rates have also been impacted by the introduction of banking regulations requiring banks to hold higher levels of liquidity to act as a buffer.

4.3. The rates on offer during 2015/16 and going forward into 2016/17 continue to be low and the returns on the County Council's cash investments are forecast to remain at the current low levels for the foreseeable future; however, the Treasury Management Strategy will continue to ensure a prudent and secure approach.

4.4. Revenue lending during 2015/16, including the use of term deposits, call accounts and property funds, earned interest of £1.139m against a full year budget of £0.950m. The interest figure quoted is the return from the Council's Treasury Management activity and is different from the figure presented in the Statement of Accounts which also includes interest generated from a number of other sources.

4.5. The interest earned equated to an investment return of 0.76% against a full year budget target return of 0.65%. This was achieved and interest income was higher than budgeted, partly due to higher levels of cash being invested than anticipated when the budget was set, and also the addition of the CCLA property fund to the approved list of counterparties.

4.6. All lending has been carried out in accordance with the Council's Treasury Management Strategy and with institutions on the list of approved counterparties.

Agenda Item 7

4.7. The following table shows the County Council's fixed and variable rate investments as at the start and close of the financial year:

Schedule of Investments

	Maturing in:	Actual 31.03.15 £'m	Interest Rate %	Current 31.03.16 £'m	Interest Rate %
Bank and Building Society Deposits					
Fixed Rates					
Term Deposits	< 365 days	50.00	0.84	73.80	0.60
	365 days & >	0.00		0.00	
Callable Deposits					
Variable Rate					
Call & Notice Accounts		80.76	0.59	45.00	0.84
Money Market Funds (MMFs)		0.00			
Property Fund		0.00		10.00	4.67
All Investments		130.76	0.69	128.80	1.00

4.8. The figure as at 31st March 2016 includes approximately £14.6m related to the Growing Places Fund (GPF). This figure was approximately £15.9m as at 31st March 2015. Devon County Council is the local accountable body for the GPF, which was established by the Department for Communities and Local Government to enable the development of local funds to address infrastructure constraints, promoting economic growth and the delivery of jobs and houses. The Council is working in partnership with the Local Economic Partnership, and interest achieved on the GPF funds, based on the average rate achieved by the Council's investments, will accrue to the GPF and not to the County Council.

5. Prudential Indicators

5.1. Linked to its Treasury Management Strategy, the County Council is required to monitor its overall level of debt in line with the CIPFA Code of Practice. Part of the code requires consideration of a set of Prudential Indicators in order to allow the Council to form a judgement about the affordable, prudent and sustainable level of debt.

5.2. The purpose of the indicators is to demonstrate that:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels;
- Treasury management decisions are taken in accordance with professional good practice.

5.3. Three Prudential Indicators control the overall level of borrowing. They are:

- **The authorised limit** - this represents the limit beyond which any additional borrowing is prohibited until the limit is revised by the County Council. Revision may occur during the year if there are substantial and unforeseen changes in circumstances, for example, a significant delay in achieving forecast capital receipts. In normal circumstances this limit will not require revision until the estimate for 2017/18 is revised as part of the 2017/18 budget setting process.
- **The operational boundary** – this indicator is based on the probable external debt and other long term liabilities during the year. Variations in cash flow may lead to occasional, short term breaches of the Operational Boundary that are acceptable.
- **The upper limit for net debt** - the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement.

5.4. During the Budget process, the following Borrowing Limits were set for 2015/16:

- Maximum borrowing during the period (Authorised Limit) £807.2m.
- Expected maximum borrowing during the year (Operational Boundary) £782.2m.
- Underlying Borrowing Requirement to Gross Debt - £133.4m under borrowing.
- Maximum amount of fixed interest exposure (as a percentage of total) 100%.
- Maximum amount of variable interest exposure (as a percentage of total) 30%.

5.5. Members are asked to note that during 2015/16 the Council remained within its set Borrowing Limits and complied with the interest rate exposure limits.

6. 2016/17 Update

- 6.1. The Medium Term Financial Strategy assumes that, over the three year period, no new long-term borrowing will be required. This is still envisaged to be the case, although this will be kept under review.
- 6.2. The PWLB policy of imposing premium penalties for the early repayment of long term debt means there is little potential to repay further debt during the current financial year.
- 6.3. Forecasting future interest rates is difficult as the factors affecting interest rate movements are outside of the Council's control. Whilst short term rates are generally linked to the Bank of England's Base Rate, long term rates are determined by other factors, e.g. the market in Gilts. The County Council retains an external advisor, Capita, who forecast future rates several years forward. Similar information is received from a number of other sources.
- 6.4. The general consensus among market commentators is that any future interest rate rises will be slow and gradual. Capita's view is that the Bank of England is likely to maintain the current 0.5% rate until December 2016 in order to continue to promote growth and employment.
- 6.5. The UK recovery since mid-2009 has been relatively slow by historical standards, but still faster than most other G7 economies over the period. The Government has maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament. This will impose some drag on the UK economy, but the private services sector should be strong enough to offset this in terms of GDP and jobs growth.
- 6.6. Consumer spending is likely to be the main driver of UK growth this year, helped by continued low energy and food prices. However, the risks to growth are weighted to the downside in the short term due to international risks, particularly in relation to emerging markets, as well as uncertainties relating to the EU referendum. But there are also upside possibilities if the global environment improves and productivity growth rates accelerate in the UK.
- 6.7. The global outlook remains mixed with a gradual pick-up in the US and the Eurozone, but a slowdown of growth in China, continued recessions in Russia and Brazil, and increased volatility in financial markets.
- 6.8. As a result of concerns about the Eurozone crisis, the Council have been cautious about using Santander, due to the bank's Spanish parent company, although they have continued to meet the criteria to remain on the counterparty list. The bank has a UK banking licence and is therefore assessed as being a UK bank and a separate entity from the Spanish parent company. During April Santander's credit rating was upgraded by Moody's from A1 to Aa3. This results from an analysis of the bank's balance sheet structure at the end of 2015 and its near term funding plan, which indicates that Santander UK's deposits are likely to face very low loss-given failure. Santander will now therefore be actively considered for term deposits, subject to them offering competitive rates.

Agenda Item 7

- 6.9. For 2016/17 it has been assumed that the interest rate earned on lending to banks and building societies will be 0.65% p.a. and the yield from investment in the CCLA Property Fund will be 4.5%. The rates offered by the majority of banks have not improved over the last year, but the targets we have set are thought to be achievable.

7. Summary

- 7.1. No long term borrowing was undertaken during 2015/16. Four short-term loans totalling £14.4m were undertaken from other local authorities, each for a 30 day period at an average rate of 0.30%. It is not envisaged that any new long term borrowing will be required over the next three year period but this will be reviewed annually.
- 7.2. No opportunities arose during the 2015/16 financial year to repay outstanding debt without incurring substantial premium penalties, which would negate the benefit of repaying the debt.
- 7.3. Investment income of £1.139m was achieved in 2015/16 against a full year budget of £0.950m. This represented a return of 0.76% against a full year budget target return of 0.65%. Successful prudent management of the Council's short term cash reserves has delivered a surplus of £0.189m for the 2015/16 financial year.
- 7.4. As a result of the change in policy the MRP charge for 2015/16 to make provision for the repayment if the Council's external debt and internal borrowing was £11.9 million less than the budget.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

Contact for Enquiries: Mark Gayler / Dan Harris

Tel No: (01392) 383621 Room G97/G99

Joint Report of the County Treasurer & Head of Services for Communities

Locality Budget 2015/16

1. Introduction

In line with the Council's "Locality Budgets Operating Principles" an annual statement which summarises the allocations approved by Members is submitted to this Committee for audit and monitoring purposes.

Each Member of the County Council was allocated a budget of £10,000 for 2015/16 to use to respond to local needs by giving grants in accordance with the operating principles in Part 3 of Section 5 of the Constitution.

The locality budget process enables Members to give grants which respond to local needs within electoral divisions by supporting projects or activities that benefit the people and communities they represent. The scheme, together with the joint Town and Parish Fund, is a key element of the Council's "Better Together" commitment to community resilience.

2. Locality Budget Statement for 2015/16

This Statement has been prepared for audit and monitoring purposes and summarises expenditure in 2015/16 by each of the 62 Councillors.

For each Member, Appendix 1 to this report details:

- Total locality budget for 2015/16;
- Total locality budget payments made in 2015/16; and
- Amount carried forward to 2016/17

The Committee may wish to note the following:

Carry forward from 2014/15

- A total of **£211,323.68** of locality budget funding was carried forward from 2014/15 to 2015/16.

Total locality budget for 2015/16

- The total locality budget available for 2015/16 was **£831,323.68**.

Total locality budget expenditure in 2015/16

- The total locality budget spent in 2015/16 was **£517,862.22**.

Agenda Item 9

Carry forward to 2016/17

- A total of **£313,461.46** was carried forward into the current financial year (2016/17).

An analysis of 2015/16 locality budget expenditure by project type shows the following expenditure during 2015/16:

Type of project	Total for spend
Culture	£63,055.09
Economy	£62,607.06
Events	£66,014.46
Facilities	£260,705.09
Highways	£47,585.27
Other	£17,895
Total	£517,862.22

Highway improvements include: grit bins, signs, safety improvements, bridges, traffic regulation orders rights of way, weed treatment/clearance.

Community events and celebrations include: seasonal celebrations, trips, visits, commemorations, memorial events.

Community facilities include: village hall/community facility improvements.

Sport, leisure, arts, heritage and culture includes: allotments, theatre, play, music.

Local economy, employment and welfare includes: community shops, food banks, homelessness, youth clubs and libraries.

Mary Davis
County Treasurer

John Smith
Head of Services for Communities

Electoral Divisions: All

Local Government Act 1972: List of Background Papers
Contact for enquiries: Roland Pyle
Room No: Room G60, County Hall, Exeter, Devon, EX2 4QD
Tel No: 01392 38 3000 Date File Ref.
Background Paper
None

Agenda Item 9

Appendix 1

Electoral division	Member	Total Locality budget for 2015/16 (£)	Locality budget payments in 2015/16 (£)	Carried forward to 16/17 (£)
Div 01 - Axminster	Andrew Moulding	14,780.82	9,235.00	5,546.00
Div 02 - Broadclyst & Whimble	Peter Bowden	10,000.00	9,960.00	40.00
Div 03 - Budleigh	Christine Channon	10,292.00	5,104.00	5,188.00
Div 04 - Exmouth, Brixington & Withycombe	John Hone	12,494.50	1,061.67	11,433.00
Div 05 - Exmouth Halsdon & Woodbury	Bernard Hughes	16,131.37	14,526.03	1,605.00
Div 06 - Exmouth Littleham & Town	Eileen Wragg	10,611.80	7,164.57	3,447.00
Div 07 - Honiton St Michael's	Sara Randall-Johnson	10,342.77	6,917.20	3,426.00
Div 08 - Honiton St Paul's	Paul Diviani	14,207.75	10,435.00	3,773.00
Div 09 - Ottery St Mary	Claire Wright	12,567.61	6,832.62	5,735.00
Div 10 - Seaton Coastal	Jim Knight	14,389.35	5,601.70	8,788.00
Div 11 - Sidmouth & Sidford	Stuart Hughes	13,722.25	10,440.00	3,282.00
Div 12 - Alphington	Roy Hill	16,115.75	12,325.75	3,790.00
Div 13 - Duryard & Pennsylvania	Percy Prowse	13,370.86	6,350.00	7,021.00
Div 14 - Exwick & St Thomas	Rob Hannaford	19,273.52	16,000.00	3,274.00
Div 15 - Heavitree & Whipton Barton	Olwen Foggin	10,787.53	8,737.53	2,050.00
Div 16 - Newton & Posloe	Richard Westlake	13,413.42	6,787.60	6,626.00
Div 17 - Pinhoe & Mincinglake	Emma Morse	12,847.75	5,355.00	7,493.00
Div 18 - Priory & St Leonards	Andy Hannan	11,464.52	7,962.25	3,502.00
Div 19 - St David's & St James	Jill Owen	11,326.75	6,036.22	5,291.00
Div 20 - St Loyes & Topsham	Andrew Leadbetter	20,565.75	4,650.00	15,916.00
Div 21 - Crediton Rural	Nick Way	13,393.12	7,174.00	6,219.00
Div 22 - Cullompton Rural	John Berry	10,000.00	9,837.78	162.00
Div 23 - Newton St Cyres & Sandford	Margaret Squires	13,725.00	7,128.08	6,597.00
Div 24 - Tiverton East	Des Hannon	10,436.47	10,020.22	416.00
Div 25 - Tiverton West	Polly Colthorpe	10,109.80	9,750.00	360.00
Div 26 - Willand & Uffculme	Ray Radford	18,990.00	6,135.00	12,855.00
Div 27 - Barnstaple North	Brian Greenslade	20,850.00	10,806.26	9,474.34
Div 28 - Barnstaple South	John Matthews	18,570.00	10,194.49	3,376.00
Div 29 - Braunton Rural	Caroline Chugg	14,935.00	7,046.10	7,889.00
Div 30 - Chumleigh & Swimbridge	Richard Edgell	22,737.00	22,237.00	-
Div 31 - Combe Martin Rural	Andrea Davis	18,944.17	2,533.90	15,910.00
Div 32 - Fremington Rural	Frank Biederman	14,063.99	7,801.96	5,762.00
Div 33 - Ilfracombe	Mike Edmunds	10,582.00	8,946.72	1,135.00
Div 34 - South Molton Rural	Jeremy Yabsley	13,264.00	500.00	12,764.00
Div 35 - Bickleigh & Wembury	John Hart	16,304.05	8,596.56	7,707.00
Div 36 - Dartmouth & Kingswear	Jonathan Hawkins	10,955.40	10,455.40	500.00

Agenda Item 9

Div 37 - Ivybridge	Roger Croad	17,926.80	11,967.99	5,959.00
Div 38 - Kingsbridge & Stokenham	Julian Brazil	10,063.67	8,241.07	1,823.00
Div 39 - South Brent & Dartington	Rosemary Rowe	10,428.54	5,700.00	4,729.00
Div 40 - Thurlstone, Salcombe & Allington	Rufus Gilbert	10,039.67	10,921.03	(-881.00)
Div 41 - Totnes Rural	Robert Vint	10,000.00	1,610.39	8,390.00
Div 42 - Yealmpton	Richard Hosking	21,707.43	7,750.00	13,957.00
Div 43 - Ashburton & Buckfastleigh	Stuart Barker	17,066.15	4,500.00	12,566.00
Div 44 - Bovey Tracey Rural	George Gribble	10,636.65	4,932.50	5,704.00
Div 45 - Chudleigh Rural	Jerry Brook	17,813.00	10,550.00	7,263.00
Div 46 - Dawlish	John Clatworthy	12,199.46	12,185.39	14.00
Div 47 - Exminster & Kenton	Alan Connett	12,338.84	9,137.73	3,201.00
Div 48 - Kingsteignton	Tony Dempster	12,229.00	11,268.00	961.00
Div 49 - Newton Abbot North	Eve Louise Barisic	10,425.00	6,000.00	4,425.00
Div 50 - Newton Abbot South	Gordon Hook	11,038.00	6,375.00	4,663.00
Div 51 - Teignbridge South	Alistair Dewhirst	11,950.00	11,949.99	-
Div 52 - Teignmouth Town	Richard Younger-Ross	10,000.60	8,500.00	1,501.00
Div 53 - Teign Estuary	Chris Clarence	11,625.00	8,111.60	3,513.00
Div 54 - Bideford East	Gaston Dezart	10,000.00	7,000.00	3,000.00
Div 55 - Bideford South & Hartland	Robin Julian	10,000.00	9,150.00	850.00
Div 56 - Holsworthy Rural	Barry Parsons	14,218.50	11,195.86	3,023.00
Div 57 - Northam	Andrew Eastman	13,191.65	8,820.00	3,872.00
Div 58 - Torrington Rural	Andy Boyd	10,000.00	9,500.00	-
Div 59 - Hatherleigh & Chagford	James McInnes	10,045.00	9,492.50	553.00
Div 60 - Okehampton Rural	Kevin Ball	12,078.32	10,256.70	1,822.00
Div 61- Tavistock	Debo Sellis	10,778.23	9,967.62	811.00
Div 62 - Yelverton Rural	Philip Sanders	16,958.10	2,133.24	14,825.00

DEVON COUNTY COUNCIL

SCRUTINY WORK PROGRAMME

The Scrutiny Work Programme identifies those areas of activity or work proposed to be undertaken by individual Scrutiny Committees over the coming months, notwithstanding the rights of County Councillors to ask for any matter to be considered by a Committee or to call-in certain decisions in line with the Council's Scheme of Delegation (Part 3 of the Constitution) and the Scrutiny Procedures Rules.

Co-ordination of the activities of Scrutiny Committees is undertaken by the Chairmen and Vice-Chairmen of Scrutiny Committees to avoid duplication of effort and to ensure that the resources of the Council are best directed to support the work of Scrutiny Committees.

The Work Programme will be submitted to and agreed by Scrutiny Committees at each meeting and will be published on the Council's website 'Information Devon', (http://www.devon.gov.uk/index/councildemocracy/decision_making/scrutiny/scrutiny_programme.htm) as soon as possible thereafter.

An up to date version of this Plan will also be available for inspection from the Democratic Services and Scrutiny Secretariat at County Hall, Topsham Road, Exeter (Telephone: 01392 382296) between the hours of 9.30am and 4.30pm on Mondays to Thursdays and 9.30am and 3.30pm on Fridays, free of charge.

Where possible Scrutiny Committees will attempt to keep to the timescales/dates shown in the Plan. It is possible, however, that some items may need to be rescheduled and new items added as new circumstances come to light.

Please ensure therefore that you refer to the most up to date Plan.

Copies of Agenda and Reports of Scrutiny Committees of the County Council referred to in this Forward Plan area also available on the Council's Website at (<http://www.devon.gov.uk/dcc/committee/mingifs.html>)

Agenda Item 10

SCRUTINY WORK PROGRAMME

Date for Consideration	Matter for Discussion	Scope of Investigation or Purpose of Report	Contributors or Heads of Services to be involved	Documents to be considered	Likely timescale for Investigation or Consideration
CORPORATE SERVICES SCRUTINY COMMITTEE					
27 JUNE 2016					
27 Jun 2016	Risk Register	Update on Performance across Corporate Services	Head of Services for Communities	Report	Committee Meeting only
27 Jun 2016	Treasury Management Stewardship Annual Report	Consideration of report and to make any comments / recommendations to Cabinet	County Treasurer	Report	Committee Meeting only
27 Jun 2016	Enterprise Zone Spotlight Review Report	Report and Recommendations	Scrutiny Officer	Task Group	Spotlight Review
27 Jun 2016	Income Generation Task Group Update	Update on work of the Task Group to date	Scrutiny Officer	Verbal Update	Task Group
22 SEPTEMBER 2016					
22 Sep 2016	Performance Monitoring	Update on Performance across Corporate Services	Head of Services for Communities	Report	Committee Meeting only
22 Sep 2016	HR Change Programme	Changes to the HR service	Head of Services for Communities	Presentation	Committee Meeting
22 Sep 2016	Income Generation Task Group update	Update on work of the Task Group to date	Scrutiny Officer	Report	Task Group
22 Sep 2016	Youth Service Externalisation (standing item)	Update on progress	Head of Services for Communities	Verbal Update	Committee Meeting only
28 NOVEMBER 2016					
28 Nov 2016	Performance / Risk Monitoring	Update on Performance across Corporate Services	Head of Services for Communities	Report	Committee Meeting only
28 Nov 2016	Treasury Management Mid Year Report	Consideration of report and to make any comments / recommendations to Cabinet	County Treasurer	Report	Committee Meeting only
28 Nov 2016	Youth Service	Update on progress	Head of Services	Verbal Update	Committee

Agenda Item 10

Date for Consideration	Matter for Discussion	Scope of Investigation or Purpose of Report	Contributors or Heads of Services to be involved	Documents to be considered	Likely timescale for Investigation or Consideration
	Externalisation (standing item)		for Communities		Meeting only
28 Nov 2016	Income Generation Task Group final report	Task Group Report	Scrutiny Officer	Task Group	Task Group
28 Nov 2016	Scrutiny in a Commissioning Council update report	Update on progress against Task Group's recommendations	Head of Business Strategy and Support Services, Cabinet Member for Performance & Engagement	Report	Committee Meeting only

