

# South Hams Joint Development Management Committee and Overview & Scrutiny Panel



|  |   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
|--|---|-------------|------------|------------|---------------|---------------|--------------|--------------|-------------|-------------|----------|------------|-------------|-----------|-----------------|---------------|--------------|-----------|-----------|------------|------------|--------------|-----------|
| <b>Title:</b>  | <b>Agenda</b>   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| <b>Date:</b>   | <b>Thursday, 24th January, 2019</b>   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| <b>Time:</b>   | <b>10.00 am</b>   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| <b>Venue:</b>  | <b>Council Chamber - Follaton House</b>   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| <b>Full Members:</b>   | <p style="text-align: center;"><b>Chairman</b> Cllr Saltern<br/><b>Vice Chairman</b> Cllr Smerdon</p> <p><i>Members:</i></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Cllr Baldry</td> <td>Cllr Hicks</td> </tr> <tr> <td>Cllr Birch</td> <td>Cllr Hitchins</td> </tr> <tr> <td>Cllr Blackler</td> <td>Cllr Hodgson</td> </tr> <tr> <td>Cllr Bramble</td> <td>Cllr Holway</td> </tr> <tr> <td>Cllr Brazil</td> <td>Cllr May</td> </tr> <tr> <td>Cllr Brown</td> <td>Cllr Pearce</td> </tr> <tr> <td>Cllr Cane</td> <td>Cllr Pennington</td> </tr> <tr> <td>Cllr Cuthbert</td> <td>Cllr Pringle</td> </tr> <tr> <td>Cllr Foss</td> <td>Cllr Rowe</td> </tr> <tr> <td>Cllr Green</td> <td>Cllr Steer</td> </tr> <tr> <td>Cllr Hawkins</td> <td>Cllr Vint</td> </tr> </table> | Cllr Baldry | Cllr Hicks | Cllr Birch | Cllr Hitchins | Cllr Blackler | Cllr Hodgson | Cllr Bramble | Cllr Holway | Cllr Brazil | Cllr May | Cllr Brown | Cllr Pearce | Cllr Cane | Cllr Pennington | Cllr Cuthbert | Cllr Pringle | Cllr Foss | Cllr Rowe | Cllr Green | Cllr Steer | Cllr Hawkins | Cllr Vint |
| Cllr Baldry  | Cllr Hicks  |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Birch   | Cllr Hitchins   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Blackler  | Cllr Hodgson  |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Bramble   | Cllr Holway   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Brazil  | Cllr May  |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Brown   | Cllr Pearce   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Cane  | Cllr Pennington   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Cuthbert  | Cllr Pringle  |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Foss  | Cllr Rowe   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Green   | Cllr Steer  |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| Cllr Hawkins   | Cllr Vint   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| <b>Interests – Declaration and Restriction on Participation:</b> | Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |
| <b>Committee administrator:</b>                                  |   |             |            |            |               |               |              |              |             |             |          |            |             |           |                 |               |              |           |           |            |            |              |           |

- 1. Apologies for Absence**
- 2. Urgent Business**  
brought forward at the discretion of the Chairman;
- 3. Division of Agenda**  
to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
- 4. Declarations of Interest**  
Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting;
- 5. Development Management - Performance Update** **1 - 8**
- 6. Review of Fees and Charges for 2019/20** **9 - 28**
- 7. Budget Proposals for 2019/20 Onwards Update** **29 - 76**
- 8. Capital Budget Proposals for 2019/20** **77 - 90**

Report to: **Joint Overview and Scrutiny Panel and Development Management Committee**

Date: **24 January 2019**

Title: **Development Management – Performance Update**

Portfolio Area: **Customer First – Cllr Hilary Bastone**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

Date next steps can be taken: Any recommendations will, in the first instance, be presented to the Executive meeting on 7 February 2019

Author: **Drew Powell** Role: **Specialist Manager (Customer First)**

Contact: **Ext 1240 drew.powell@swdevon.gov.uk**

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## **RECOMMENDATIONS:**

**That the Joint Overview and Scrutiny Panel and Development Management Committee Meeting RECOMMENDS to the Executive to:**

- 1. Endorse the actions being taken to secure improved performance within the Development Management Service; and**
- 2. Support, as part of the 2019/20 Budget Setting process, the addition of an L5 Specialist, at a cost of £29,000, within the Development Management service (to be funded through planning income).**

### **1. Executive summary**

1.1 The report outlines present performance of the Development Management service, factors influencing performance and the measures that are planned to secure sustainable improvement.

1.2 There has been a marked improvement in performance against Government targets for the time taken to determine applications. This improvement is set against a background of difficulties in recruiting suitably qualified officers and the transition between software systems.

1.3 Despite the sustained good performance against Government targets, in depth analysis of underlying trends within the service have identified that further steps need to be taken to improve efficiency and customer focus.

1.4 Effective Development Management supports the Councils themes specifically with regard to Homes, Enterprise and Communities.

1.5 Failure to deliver the service in line with National Performance Measures may result in the Council being 'designated'. Designation could have adverse impacts in terms of reputation and also financially. The Council is not at risk of designation as a result of the improvement in performance as demonstrated in Table 1.

## **2. Background**

2.1 At its meeting on 1 November 2018, the Overview and Scrutiny Panel considered the Performance Measures for Quarter 2 in 2018/19 (Minute O&S.65/18 refers). In so doing, a detailed debate took place and a number of concerns were raised. As a way forward, the Panel agreed that a 'Development Management Performance Review' should be given formal consideration at this joint meeting.

2.2 Stability within the Community of Practice of Development Management has been affected by a number of internal and external factors.

2.3 The national shortage of suitably qualified Planning Specialists has meant that recruiting has been, and remains, very difficult. Posts have been back-filled with Agency staff which does not, generally, offer the same continuity and stability as afforded by establishment staff.

2.4 The migration of all planning records into new software and improvements to the website have also impacted on capacity within the team.

2.5 The additional staff secured through the national 20% increase in planning fees has now improved the capacity of the team that has in turn helped embed the way work has been managed between case managers and specialists. Case managers now undertake validation and some discharge of conditions, work previously undertaken by specialists.

## **3. Outcomes/outputs**

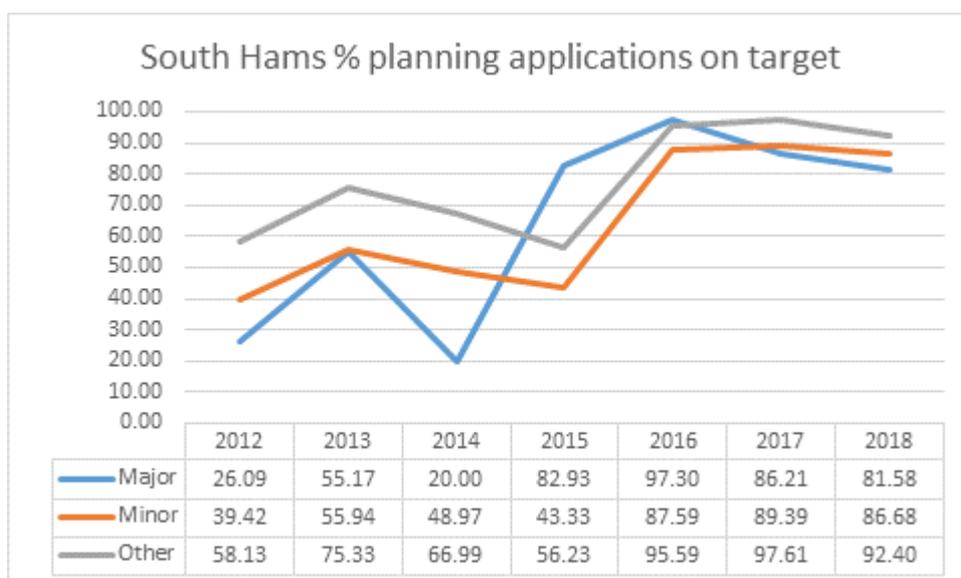
3.1 In order to further improve performance within Development Management, a number of factors still need to be addressed:

- Resourcing of suitably qualified/experienced staff;
- Reduction of the number of live applications; and
- Improvements in the efficiency of process and a more proactive approach to keeping relevant parties informed of progress.

#### 4. Analysis of Performance

4.1 There has been a clear and necessary focus on improving the time it takes to determine applications in line with Government targets and guidance.

4.2 Table 1, below, shows the marked and sustained improvement against the Government target of Majors (60%), Minors (65%), Others (80%).



4.3 As part of ongoing performance management, data on performance and volumes of applications is provided to Development Management Committee bi-monthly and the Overview and Scrutiny Panel quarterly.

4.4 Securing the improvement in performance has involved a combination of changes including requesting extensions of time from agents on some applications and closer monitoring of officer performance. The use of extensions of time is common practice and beneficial to both applicants and the Council to ensure that applications are considered in the light of all necessary information and views.

4.5 In order to look more closely at the overall impact of this new approach, in depth analysis using control charts to look at how processes have changed over time has been undertaken. The analysis has identified a number of key trends;

- a. The volume of applications received is consistent at an average of 47 per week
- b. There are seasonal peaks in numbers with an increase just after Christmas; this results in a 'backlog' that is often difficult to reduce and has, in part, lead to c below.
- c. There has been a year on year increase in the average number of 'live' applications from approximately 490 in 2016 to 560 in 2018
- d. There has been a steady increase in the time taken to complete applications. In Quarter 1 of 2017 80% of cases were completed within 90 days. In Quarter 4 this had increased to 112 days.

4.6 A number of observations can be made from the identified trends. The volume of work coming into the system can be reasonably well predicted (a and b) and, where possible, resources can be aligned to respond. There is an increase in 'live' work and the average time to deal with 80% of the cases has increased (c and d).

4.7 When these trends are compared with the performance data at Table 1, it points to the fact that the extensions of time mutually agreed with applicants, whilst improving performance against Government targets, may be increasing the overall time that applications are taking to determine. This in turn has increased the number of live applications being worked on at any one time.

4.8 In addition to the above statistical information, the subjective view from attendees at the quarterly Agents and Developers forums is one of steady improvement in terms of communication and user satisfaction with the service.

## **5. Improvement Plan**

5.1 In order to seek further improvement within the service as outlined in 4. above, the focus has been on the following;

- Process Review focussing on Customer Satisfaction
- Resources
- Alternative service offers

## **6. Process Review focussing on Customer Satisfaction**

6.1 A project team has been working on the above since late 2018. The scope of the project has been agreed in consultation with key users of the service and is focussed on:

- Automatic updates on progress of applications – sent to applicants/agents at key stages of the process. This enables relevant parties to be updated on progress and reduces the need for contact with the team. A key area of concern has been the inability of agents in particular to have timely updates of progress on their cases.
- Increased visibility of up to date information both internally and on the website to further support management of applications within the Case Management team.
- Reviewing processes to ensure efficiency and increase capacity within the team

6.2 The review is due to be completed in March 2019 and subsequent impacts on performance will be reported back to Members in the normal way. In addition, officers are exploring the use of 'constraints theory' to manage workflow within the service. The concept has recently been introduced into Council Tax and Housing Benefits with encouraging results.

## **7. Resources**

7.1 Development Management draws resources from across the Council and from external partners. The service review detailed in 6. above will help increase the capacity of the internal team by making processes more efficient and through the provision of automatic updates.

7.2 The capacity of the internal team increased following the additional resources secured following the 20% increase in National planning fees. Now that there has been sufficient time for the new resource to settle in it is considered that the team is suitably resourced to deal with expected workloads across most areas. It is however considered that additional capacity is needed at Specialist Level to ensure that caseloads, primarily minors and smaller majors, are manageable and to secure a reduction in live cases. It is proposed that an additional L5 Specialist be added to the Council's Staffing Establishment that will be funded through planning income. The post will cost £29K per annum including on costs.

7.3 The national shortage of suitably qualified planning specialists persists and recruitment remains very challenging. This is an experience shared by other Devon and South West Councils. The time to successfully recruit specialists can range between 3 and 6 months and so the impact in terms of performance and cost of staff changes is considerable.

7.4 In order to better manage change and secure succession planning, the council are developing a range of approaches. At present two case managers are undertaking Planning technical training at Bridgewater College. We are also now offering an opportunity for relevant officers to take an MSc in Planning to convert from a non-planning first degree.

7.5 In addition to the above, discussions are underway with a large private sector developer to explore the opportunity to jointly fund a graduate planning officer. It is felt that offering prospective candidates a private/public sector partnership opportunity would be attractive in the present job market.

## **8. Alternative Service Offers**

8.1 Officers have been in discussion with a group of Planning Agents with regard to developing a fast track, paid for premium planning service. The broad concept is that there are instances when it is financially viable for an applicant to want to secure a planning decision as soon as is practicably possible. For example, where an applicant is in rented accommodation pending an extension/refurbishment or where there are options on land. In this instance paying an additional fee for a timely decision is an option that may well prove attractive.

8.2 The provision of such a service would clearly still be subject to existing statutory process, consultation and delegation procedures and in no way would the decision itself be secured or influenced. It would simply offer some key performance milestones and, potentially, a quicker decision.

8.3 The benefits of offering such a service include an income which could be used to further enhance the wider service in terms of overall performance and capacity.

8.4 Initial trials are due to take place in the final quarter of 2018/19. An initial review will take place with a view to reporting back to Members on the viability of introducing the service later in 2019.

## **9. Motion to Council**

9.1 At Council on 6 December 2018 the following was resolved (minute 47/18 (c) refers)

### **RESOLVED**

It has been recognised that at present SHDC Officers do not have the capacity to monitor the implementation of environmental mitigation measures that are specified as conditions in planning approvals. The requirement for mitigation measures being put in place is often fundamental to Councillors giving approval for developments and there is concern that, without a significant increase in monitoring, many mitigation measures will not be implemented.

Therefore, as part of the 2019/20 draft Budget Setting process, the joint Overview and Scrutiny Panel / Development Management Committee meeting on 24 January 2019 will give consideration to a proposal to recruit a full-time Officer to be responsible for checking on the implementation of environmental mitigation conditions specified in planning approvals and helping to enforce compliance.

9.2 It is recognised that monitoring of mitigation measures is important to ensure that development reflects the approval given. Equally it is recognised that there are finite resources available to deliver the Development Management service in terms of processing applications in a timely manner.

9.3 On balance, officers are of the view that there may be alternative ways of achieving the monitoring function; for example through planning enforcement. In addition, new guidance has just been issued for consultation regarding the reporting of developer contributions from the Community Infrastructure Levy and section 106 planning obligations through the Infrastructure Funding Statement. In order to support this, the Government proposes to specifically permit authorities to seek a monitoring fee through section 106 planning obligations. Any fee should be 'proportionate and reasonable' and reflect the actual cost of monitoring'

9.4 In view of the above, Officers recommend that further work is undertaken to determine how monitoring could be effectively undertaken either through existing resources and structures or through utilising potential funding arrangements such as, but not restricted to, 9.3 above.

## **10. Summary and Conclusions**

10.1 There has been a marked and sustained improvement in performance against Government targets for the time taken to determine applications since 2015.

10.2 The focus on improvement has resulted in an unexpected but measurable increase in the number of live applications.

10.3 A number of different actions are being undertaken to sustain further improve performance by increasing efficiency and capacity across the service.

10.4 There is a need for an additional level 5 Specialist within the DM team to secure sufficient capacity given existing caseloads and it is recommended that Members support this proposal as part of the 2019/20 Budget Setting process

## 11. Implications

| Implications  | Relevant to proposals Y/N | Details and proposed measures to address   |
|---|---------------------------|--|
| Legal/Governance                                    | Y                         | The Council Constitution includes the provision for the Overview and Scrutiny Panel to set its own work programme. In so doing and, in light of the relevance of the report to the Development Management Committee, it is considered most relevant for this report to be presented to the Joint Meeting as part of the annual budget setting process. |
| Financial   | Y                         | The report recommends the addition to the establishment of a L5 Specialist within DM at a cost of £29,000 (This is the SHDC share of costs, as it is recommended that the post would be shared).   |
| Risk  | Y                         | There are both reputational and financial risks associated with the performance of the DM service. Whilst there have been a number of factors that have previously had an adverse impact on the function, this report evidences that performance is improving and sets out proposals to sustain and improve further.                                   |
| <b>Comprehensive Impact Assessment Implications</b> |                           |  |
| Equality and Diversity                              | N                         | There are no equality and diversity implications directly related to this report.  |
| Safeguarding  | N                         | There are no safeguarding implications directly related to this report.  |
| Community Safety, Crime and Disorder                | N                         | There are no community safety or crime and disorder implications directly related to this report.  |
| Health, Safety and Wellbeing                        | N                         | There are no health, safety and wellbeing implications directly related to this report.  |
| Other implications                                  | N                         | N/A  |

## **Supporting Information**

### **Appendices:**

None

# Agenda Item 6

Report to: **Joint Overview and Scrutiny Panel and Development Management Committee**

Date: **24 January 2019**

Title: **Review of Fees and Charges for 2019/20**

Portfolio Area: **Support Services – Cllr S Wright**

Wards Affected: **All**

Relevant Scrutiny Committee: **N/A**

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

Author: **Roderick Hewson** Role: **Senior Finance Specialist**  
**Pauline Henstock** **Head of Finance Practice & Deputy S151 Officer**

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## **RECOMMENDATION**

**That the Committee RESOLVES that the Executive RECOMMEND to Council that:**

- 1) it approves the proposed fees and charges set out for Parks, Open Spaces and Outdoor Sports in Appendix A.**
- 2) it approves the proposed Environmental Health charges in Appendix B.**
- 3) it approves the proposed fees and charges set out for Development Management in Appendix C.**
- 4) delegated authority is given to the Group Manager for Commercial Services in consultation with the Portfolio holder, to set the Lower Ferry fees to take account of market conditions including competitor charges.**
- 5) there are no changes to the car park charges for 2019/20, except for where this has been agreed as an alternative to the implementation of Pay on Entry at public toilets, and a report will be presented to the Executive in this respect in**

due course.

**6) delegated authority is given to the Group Manager for Commercial Services in consultation with the Portfolio holder, to set the Commercial Waste charges, once all the price modelling factors are known.**

**7) it approves the changes to Boat Storage Charges set out in paragraph 3.7.**

## **1. Executive summary**

1.1 This report sets out proposals for any changes to fees and charges for all services for 2019/20.

## **2. Background**

2.1 The Council has the power to levy fees and charges for various services and functions it undertakes. Some of these fees are set by statute while for others the Council can make "reasonable" charges for the services it provides. The undertaking of regular reviews of charges allows, where possible, for the Council to recover the cost of officers' time in providing the service.

## **3. Proposals for Charges 2019/20**

### **3.1 Parks, Open Spaces, Outdoor Sport and Recreation**

For most charges, the proposal is to increase fees by around 3-4% to reflect inflation and the rising costs to the Council of providing these services as shown in Appendix A. This is unlikely to generate significant additional income for 2019/20.

### **3.2 Environmental Health Charges**

Appendix B sets out proposals for Environmental Health Charges for 2019/20.

Environmental Health charges were reviewed for 2016/17 to ensure that the Council charges were consistent across SHDC and WDBC and complied with the legislation in terms of the maximum charge being full cost recovery. The charges were changed to reflect this requirement and the review of charges for 2019/20 reflects the full cost recovery concept and the proposal is to increase most charges by 3% to reflect inflation and the additional cost to the Council of providing these services.

The setting of fees for the issuing of licences for Hackney Carriage and Private Hire Vehicles, as well as Private Hire operators is governed by the Local Government (Miscellaneous Provisions) Act 1976, this requires that

where the fee set is proposed to be greater than £25 the Council must advertise these changes for a period of 28 days, and publish a notice in the local newspaper. Due to the cost of the advertisement of fees it is not economically beneficial to the local authority to increase these fees by inflation each year. Fees for these licences will be reviewed on a 3 yearly basis to ensure that the Council is not subsidising the delivery of the service substantially.

In terms of additional income, the changes to existing Environmental Health and Licensing charges shouldn't be significant since the increases are merely incremental.

The new charge for ECO declaration certification is an administrative charge for the processing of applications, this is in line with other Councils who charge for the Council's administrative costs of the scheme. The estimated additional income from the proposed new fee is £10,000 and this has already been built into the Executive 2019/20 Budget Report presented on 13 December 2018.

### **3.3 Lower Ferry, Dartmouth**

It is requested that responsibility for setting Lower Ferry charges is delegated to Group Manager for Commercial Services in consultation with the Portfolio Holder. This will provide assurance that the charges are set to reflect the competitive environment in which the ferry operates.

### **3.4 Car Parking**

It is recommended that car parking charges remain static for the financial year 2019/20. This is because increases have been implemented for the last two financial years. The exception to this will be where increased charges have been agreed as an alternative to the implementation of Pay on Entry at public toilets. Following negotiations with Town and Parish Councils, revised charges will be presented to the Executive in due course.

### **3.5 Commercial Waste Charges**

The pricing model for Commercial Waste charges requires consideration of budget performance, disposal charges and market factors, but it is considered too early in the financial year for this review to be undertaken. Given the timing of these factors, it is requested that the Group Manager for Commercial Services is given delegated authority in consultation with the Portfolio Holder. Discussions to increase income will be considered through the new partnership contract, which commences in April 2019.

### **3.6 Planning**

A schedule of the proposed Development Management fees are included at Appendix C. Based on the existing demand for these services the estimated additional income from the proposed fee structure is £9,000 and this has

already been built into the Executive 2019/20 Budget Report presented on 13 December 2018.

### 3.7 Boat Storage Charges

Boat storage charges had stayed the same since the Harbour Authority took over the running of the lifting operations in 2010, last year saw the first increase of the fees. Boat storage charges are reviewed annually and set in line with boat yards offering similar facilities for winter storage, once our lifting costs have been allowed for. The proposed fees for 2019/20 are summarised in the table below:

| <b>Batson Boat Park</b>                             | <b>2018/19<br/>Current Fee</b> | <b>2019/20<br/>Proposed Fee</b> |
|---|--------------------------------|---------------------------------|
| Daily Rate  | £8.00                          | £10.00                          |
| Daily Rate – Large Space                            | £12.00                         | £15.00                          |
| Weekly Rate   | £59.40                         | £60.00                          |
| Weekly Rate – Large Space                           | £89.10                         | £90.00                          |
| Trailer (under 4.5m) per day                        | £5.30                          | £6.00                           |
| Trailer (over 4.5m) per day                         | £6.40                          | £8.00                           |
| Trailer (under 4.5m) per week                       | £26.00                         | £28.00                          |
| Trailer (over 4.5m) per week                        | £32.30                         | £35.00                          |
| Time Zone/Area 1 (Oct to end Mar)                   | £55.00                         | £57.00                          |
| Time Zone/Area 2 (Oct to end Apr)                   | £78.50                         | £82.00                          |
| Weekly charge (only avail Dec-Feb)                  | £3.30/m                        | £3.50/m                         |
| Lift out  | £14.00/m                       | £14.50/m                        |
| Launch  | £14.00/m                       | £14.50/m                        |
| Environmental levy for filtering of scrubbing water | £1.30/m                        | £1.50/m                         |
| Yacht cradle hire (9m and over) Zone 1 and 2        | £250.00                        | £260.00                         |
| Or yacht cradle hire per month                      | £49.00/month                   | £50.00/month                    |
| Powerboat props hire Zone 1 and 2                   | £190.00                        | £200.00                         |
| Or powerboat props per month                        | £39.00/month                   | £40.00/month                    |

### 3.8 Public Conveniences Pay on Entry

On the 22<sup>nd</sup> of November 2018 the Executive Committee considered a report entitled Public Toilet Review. This report included pay on entry proposals and other local arrangements. Annual savings from the proposals were included in the report and these have already been built into the Medium Term Financial Plan, therefore there is no further income that needs to be included separately in this report.

### 3.9 Market Pitches

Due to the imminent implementation of Pay on Entry at public toilets, which are used by market traders, it is recommended that pitch fees remain static for the next financial year in order to reflect this and acknowledge the

impact that this step will have on market traders. Keeping fees static will recompense traders for this financial pressure.

#### 4. Proposed Way Forward

The level of fees and charges will continue to be monitored during the year.

#### 5. Implications

| Implications                                 | Relevant to proposals Y/N | Details and proposed measures to address  |
|--|---------------------------|---|
| Legal/Governance                             | Y                         | The Council has the power to introduce, maintain and increase charges under S.19 of the Local Government (Miscellaneous Provisions) Act 1976 or as set out in specific pieces of relevant legislation.  |
| Financial                                    | Y                         | The estimated additional income that could be generated from the review of fees and charges for 2019/20 if the recommendations are agreed is £22,000. This excludes any additional income from commercial waste and the Lower Ferry, Dartmouth and is made up as follows: <ul style="list-style-type: none"> <li>• Additional Environmental Health income of £10,000 (section 3.2). This has already been built into the Executive 2019/20 Budget Report presented on 13 December 2018.</li> <li>• Additional planning income of £9,000 (section 3.6). This has already been built into the Executive 2019/20 Budget Report presented on 13 December 2018.</li> <li>• Additional income from boat storage charges of £3,000 (section 3.7).</li> </ul> |
| Risk   | Y                         | Achieving anticipated income targets in the current financial climate – regular monitoring of corporate income streams and revenue budgets ensures early identification of variances.   |
| Comprehensive Impact Assessment Implications |                           |   |
| Equality and Diversity                       | Y                         | Charging helps to support the provision of a wide range of public facilities available to all ages and all abilities.   |
| Safeguarding                                 | Y                         | Charging assists in supporting the running and management of a range of facilities in appropriate locations for local communities.  |
| Community                                    | Y                         | Charging helps to maintain the range of facilities.   |

|                              |   |   |
|------------------------------|---|---|
| Safety, Crime and Disorder   |   |   |
| Health, Safety and Wellbeing | N |   |
| Other implications           | N | None directly arising from this report. |

**Supporting Information:**

Appendix A – 2019/20 Proposed Charges for Outdoor Recreation  
Appendix B – 2019/20 Proposed Charges for Environmental Health  
Appendix C – 2019/20 Proposed Charges for Development Management.

**Background Papers:**

Budget Proposals Report for 2019/20– Executive 13 December 2018

| Outdoor Recreation and associated charges proposed for 2019/20 |          |           |          |                  |           | Appendix A |
|--|----------|-----------|----------|------------------|-----------|------------|
|  | 2018/19  |           |          | Proposed 2019/20 |           |            |
| ACTIVITY   | Fee      | VAT @ 20% | Total    | Fee              | VAT @ 20% | Total      |
|  | £        | £         | £        | £                | £         | £          |
| <b>DINGHY PARKING</b>  |          |           |          |                  |           |            |
| Bowcombe - Per annum   | 85.83    | 17.17     | 103.00   | 88.33            | 17.67     | 106.00     |
| Bowcombe Racks - Per annum                                     | 68.71    | 13.74     | 82.45    | 70.83            | 14.17     | 85.00      |
| <b>EVENTS Per Day</b>  |          |           |          |                  |           |            |
| Administration fee (all events)                                | 55.00    | 0.00      | 55.00    | 55.00            | 0.00      | 55.00      |
| <b>MEMORIALS</b>   |          |           |          |                  |           |            |
| New Memorial Bench   | 1,250.00 | 250.00    | 1,500.00 | 1,291.67         | 258.33    | 1,550.00   |
| Sponsor a Bench  | 500.00   | 100.00    | 600.00   | 516.67           | 103.33    | 620.00     |
| Memorial Tree  | 216.67   | 43.33     | 260.00   | 225.00           | 45.00     | 270.00     |
| <b>SITE SPONSORSHIP</b>  |          |           |          |                  |           |            |
| The Embankment, Dartmouth                                      | 433.33   | 86.67     | 520.00   | 450.00           | 90.00     | 540.00     |
| Norton   | 258.33   | 51.67     | 310.00   | 266.67           | 53.33     | 320.00     |
| Batson Creek   | 650.00   | 130.00    | 780.00   | 675.00           | 135.00    | 810.00     |
| Whitestrans  | 433.33   | 86.67     | 520.00   | 450.00           | 90.00     | 540.00     |
| Cliff House Gardens  | 258.33   | 51.67     | 310.00   | 266.67           | 53.33     | 320.00     |
| Courtenay Park   | 258.33   | 51.67     | 310.00   | 266.67           | 53.33     | 320.00     |
| The Embankment, Kingsbridge                                    | 650.00   | 130.00    | 780.00   | 675.00           | 135.00    | 810.00     |
| Recreation Ground  | 433.33   | 86.67     | 520.00   | 450.00           | 90.00     | 540.00     |
| Brittons Field   | 258.33   | 51.67     | 310.00   | 266.67           | 53.33     | 320.00     |
| Duncombe Park  | 258.33   | 51.67     | 310.00   | 266.67           | 53.33     | 320.00     |
| Borough Park   | 433.33   | 86.67     | 520.00   | 450.00           | 90.00     | 540.00     |
| Vire Island  | 433.33   | 86.67     | 520.00   | 450.00           | 90.00     | 540.00     |
| Longmarsh  | 433.33   | 86.67     | 520.00   | 450.00           | 90.00     | 540.00     |
| <b>PLAY AREA INSPECTION</b>                                    |          |           |          |                  |           |            |
| Per Play area per annum  | 166.67   | 33.33     | 200.00   | 166.67           | 33.33     | 200.00     |
| <b>HIGH HEDGE COMPLAINTS</b>                                   |          |           |          |                  |           |            |
| Per complaint  | 520.00   | **        | 520.00   | 535.00           | **        | 535.00     |

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| <b>Appendix B - Environmental Health Charges Proposed for 2019/20</b> |   |   |
|---|---|---|
|   | <b>Current Fee 2018/19</b>  | <b>Proposed Fee 2019/20</b>   |
| <b><u>Acupuncture, Tattooing, Ear-piercing &amp; Electrolysis</u></b> |   |   |
| Register of Person  | £112.00   | £115.00   |
| Register of Premises  | £112.00   | £115.00   |
| Changes to Premises registration particulars                          | £40.00  | £41.00  |
| <b><u>Animal Licence</u></b>  |   |   |
| Single licensable activity  | £234.00   | £234.00   |
| Each additional licenseable activity                                  | £87.00  | £87.00  |
| Rescore visit   | £120.00   | £120.00   |
| Vets and fees expenses  | Actual Cost   | Actual Cost   |
| <b><u>Dangerous Wild Animal Licence</u></b>                           |   |   |
| Licence Fee (initial and renewal)                                     | £394.00   | £394.00   |
| Plus vets fees and expenses   | Actual cost   | Actual cost   |
| <b><u>Eco Certificate</u></b>   | N/A   | £100.00   |
| <b><u>Film Classification Licence</u></b>                             |   |   |
| Licence per film  | £100.00   | £103.00   |
| Licence per festival  | £500.00   | £515.00   |
| <b><u>Food Export Certificate</u></b>                                 |   |   |
| Export Certificate initial set up                                     | £149.00   | £153.00   |
| Export Certificate renewal  | £59.00  | £61.00  |
| Amendment to existing certificate (in addition to renewal fee)        | £21.00  | £22.00  |
| <b><u>Food Hygiene Score Revisit inspection fee</u></b>               |   |   |
| Food Hygiene Score Revisit inspection fee                             | £120.00 per visit   | £130.00 per visit   |
| Food Hygiene Advice visit   | £130 first hour , £65 per hour thereafter                               | £130 first hour , £65 per hour thereafter                               |
| Safer Food Better Business pack                                       | £20 for the Catering SFBB Pack plus a years diary. £6 for a years diary | £20 for the Catering SFBB Pack plus a years diary. £6 for a years diary |
| <b><u>Food Premises Register</u></b>                                  |   |   |
| Food Premises Register (Full copy)                                    | £295.00   | £304.00   |
| Food Premises Register (Part copy)                                    | £100.00   | £103.00   |
| <b><u>Food Safety</u></b>   |   |   |
| Issue of unfit food certificate                                       | £98.00  | £101.00   |
| <b><u>Hackney Carriage and Private Hire</u></b>                       |   |   |
| Hackney Carriage Vehicle - fully wheelchair accessible                | £20.00  | £20.00  |
| Hackney Carriage Vehicle - non wheelchair accessible                  | £181.00   | £181.00   |
| Private Hire Vehicle - fully wheelchair accessible                    | £20.00  | £20.00  |
| Private Hire Vehicle - non wheelchair accessible                      | £160.00   | £160.00   |
| Driving Licence (1 year)  | £105.00   | £110.00   |
| Driving Licence initial application fee                               | £109.00   | £109.00   |
| Knowledge test  | £50.00  | £50.00  |
| DBS   | £60.00  | £60.00  |
| Driving Licence (3 years)   | £266.00   | £281.00   |
| Replacement Plate   | £20.00  | £20.00  |
| Transfer of ownership of vehicle                                      | £50.00  | £50.00  |
| Operator Licence (Private Hire Only) 1 year                           | £125.00   | £125.00   |

| <b>Appendix B - Environmental Health Charges Proposed for 2019/20</b>  |                               |                               |
|--|-------------------------------|-------------------------------|
|  | <b>Current Fee 2018/19</b>    | <b>Proposed Fee 2019/20</b>   |
| Operator Licence (Private Hire Only) 5 years                           | £472.00                       | £472.00                       |
| Replacement Driver's Badge   | £15.00                        | £15.00                        |
| <b><u>Homes in Multiple Occupation</u></b>                             |                               |                               |
| New Applications (new properties/change of ownership)                  | £361.00                       | £372.00                       |
| Renewals (every 5 years)   | £361.00                       | £372.00                       |
| <b><u>Housing Act Enforcement Notice fee</u></b>                       |                               |                               |
| Housing Act Enforcement Notice fee                                     | £40.00 per hour               | £41.00 per hour               |
| <b><u>Housing Suitability (Immigration Inspection Certificate)</u></b> |                               |                               |
| Housing Suitability (Immigration Inspection Certificate)               | £78.00                        | £80.00                        |
| Depositing site rules with the Local Authority                         | £77.00                        | £79.00                        |
| <b><u>Hypnotism Authorisation</u></b>                                  |                               |                               |
|  | £56.00                        | £58.00                        |
| <b><u>Private Water Supply</u></b>                                     |                               |                               |
| Private Water Supply Sampling Fee                                      | £70.00                        | £72.00                        |
| Private Water Supply Risk Assessment                                   | £206.00 per risk assessment   | £212.00 per risk assessment   |
| <b><u>Residential Mobile Home/Caravan Site Licences</u></b>            |                               |                               |
| Annual Fee (£13 per pitch with a minimum of 5 pitches)                 | £65.00                        | £65.00                        |
| Transfer of Licence  | £100.00                       | £100.00                       |
| Standard amendment   | £200.00                       | £200.00                       |
| Site Expansion Amendment (Standard Amendment fee plus £10 per pitch)   | £200.00 plus £10.00 per pitch | £200.00 plus £10.00 per pitch |
| Initial Licence (5 pitch site plus £10 per pitch thereafter)           | £200.00                       | £200.00                       |
| Replacement Licence (due to loss)                                      | £10.50                        | £10.50                        |
| Deposit of Site Rules  | £77.00                        | £77.00                        |
| Service of Enforcement Notice  | £40.00 per hour               | £40.00 per hour               |
| <b><u>Scrap Metal Dealer Licence</u></b>                               |                               |                               |
| Grant of a Site Licence  | £180.00                       | £185.00                       |
| Renewal of a Site Licence  | £130.00                       | £134.00                       |
| Transfer from a Site to a Collector Licence                            | £75.00                        | £77.00                        |
| Grant of a Collector Licence   | £130.00                       | £134.00                       |
| Renewal of a Collector Licence   | £85.00                        | £88.00                        |
| Transfer from a Collector to a Site Licence                            | £80.00                        | £82.00                        |
| Change of Licence Holder's details                                     | £15.00                        | £16.00                        |
| Change of Licensed site  | £80.00                        | £82.00                        |
| Change of Site Manager   | £43.00                        | £44.00                        |
| <b><u>Sex Establishments</u></b>                                       |                               |                               |
| New Application (Inclusive of first year annual licence)               | £4,600.00                     | £4,600.00                     |
| Annual Renewal Fee   | £450.00                       | £450.00                       |
| Transfer or Variation  | £1,300.00                     | £1,300.00                     |
| Plus Premises Licence / Club Premises Certificate                      | Statutory Cost                | Statutory Cost                |
| <b><u>Zoo Licence</u></b>  |                               |                               |
| Grant of Licence (Valid 4 years)                                       | £818.00                       | £818.00                       |

| <b>Appendix B - Environmental Health Charges Proposed for 2019/20</b> |                            |                             |
|---|----------------------------|-----------------------------|
|   | <b>Current Fee 2018/19</b> | <b>Proposed Fee 2019/20</b> |
| Renewal of Licence (Valid for 6 years)                                | £717.00                    | £717.00                     |
| Transfer of Licence   | £370.00                    | £370.00                     |
| Partially exempt premises   | 70% of above fees          | 70% of above fees           |
| Inspection  | Actual Cost                | Actual Cost                 |

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## Appendix C

| Activity   | Current Fee £ (2018/19) | Proposed Fee £ (2019/20) | Comments   |
|--|-------------------------|--------------------------|--|
| Confirmation of closure of enforcement case where it was found not expedient to take action. (available for a 12 month period following closure of the case) | £60                     | £60                      | If the Council has been in contact with you recently to investigate a breach of planning control and determined not to take any action you will be verbally advised of the outcome. Use this service if you require a letter of comfort confirming the Council's decision on the matter on a case closed in the last 12 months.  |
| Confirmation of compliance with Enforcement Notice or Breach of Condition Notice (including site visit)  | £300                    | £300                     | Includes a site visit, full check of the enforcement case and written confirmation of the outcome. Use this service if you require confirmation that an Enforcement Notice served by the Local Planning Authority has been complied with.  |
| Confirmation of compliance with listed building consent (available for a 12 month period following completion of the development)                            | £300                    | £300                     | Includes a site visit to compare the development against the plans and written confirmation of our findings. Only available within 12 months of completion. Use this service if you have completed a listed building project and you wish to sell the property.<br><br>If the completion was over 12 months ago, use the 'help resolving conveyancing issues' service detailed below |

## Appendix C

| Activity  | Current Fee £ (2018/19)                        | Proposed Fee £ (2019/20)                       | Comments  |
|---|--|--|---|
| Help resolving planning history questions   | £500   | £500   | Includes a full check of the planning and planning enforcement history, a site visit to view the development, a 1 hour meeting if it is deemed necessary by the case officer, any necessary in house consultations, written confirmation of the outcome, a formal decision as to whether enforcement action will be taken and/or confirmation of steps required to remedy the situation, if any. Response will be provided in 20 working days in most cases (can be extended by agreement if further consultation or investigation is required). Use this quick service if you are buying or selling a property/land and a planning query arises through the conveyancing process. For example, unauthorised works have been discovered or planning conditions have not been complied with. |
| Confirmation of compliance with section 106 planning obligations (desktop assessment) | £160 plus additional £115 if site visit needed | £160 plus additional £115 if site visit needed | This is a desktop check of the Council's records. If the clause in the agreement requires something to be undertaken on site it would be necessary to undertake a site visit for which there will be an additional charge. Use this service if you require confirmation that the clauses of the agreement have been complied with   |

## Appendix C

| Activity  | Current Fee £ (2018/19) | Proposed Fee £ (2019/20) | Comments  |
|---|-------------------------|--------------------------|---|
| Duty Planner  | £30                     | £40                      | This is a 30 minute appointment with one of the Development Management planners by telephone or face to face.   |
| <p>The Validation checking service fee is in addition to the planning for processing. This will include an assessment of whether an application is valid, fee queries, and technical questions regarding what type of application is needed. There are three fee levels based on the complexity of the development. This would be undertaken on an appointment basis.</p> |                         |                          | <p>The Validation checking service fee is in addition to the planning for processing. This will include an assessment of whether an application is valid, fee queries, and technical questions regarding what type of application is needed. There are three fee levels based on the complexity of the development. This would be undertaken on an appointment basis.</p> |
| Major Development - This will include 1 validation check of the application at plus 1 re-check  | £85                     | £85                      |   |
| Minor Development - This will include 1 validation check of the application at plus 1 re-check  | £50                     | £50                      |   |
|   |                         |                          |   |

## Appendix C

| Activity   | Current Fee £ (2018/19)  | Proposed Fee £ (2019/20)   | Comments  |
|--|--|--|---|
| Householder and Other Development - This will include 1 validation check of the application at plus 1 re-check | £40  | £40  |   |
| Pre-Application Fees   | £180 plus £180 for any additional meeting/response required              | £180 plus £180 for any additional meeting/response required              | <b>Householder/Listed Building/Advertisements</b><br>one meeting with a written response  |
|  | £180   | £180   | <b>Small Minor (1-2 Dwellings or non-residential floor space up to 499 sqm, telecommunications, Lawful development Certificate Advice and changes or use except dwellings, where there is no operational development)</b><br><br>One Scoping meeting with agreed notes from the meeting |
|  | £420 (£240 if it follows a scoping meeting) plus £180 for any additional | £420 (£240 if it follows a scoping meeting) plus £180 for any additional | Full pre-app – one meeting plus a written response.   |

## Appendix C

| Activity | Current Fee £ (2018/19)   | Proposed Fee £ (2019/20)  | Comments  |
|----------|---|---|---|
|          | meeting or response   | meeting or response   |   |
|          | <p>£240</p> <p>£600 (£360 if it follows a scoping meeting) plus £180 for any additional meeting or response</p> | <p>£240</p> <p>£600 (£360 if it follows a scoping meeting) plus £180 for any additional meeting or response</p> | <p><b>Minor Development (between 3 – 9 dwellings or non-residential floor space between 500 – 999 sqm or a site area up to 1 Ha)</b></p> <p>One Scoping meeting with agreed notes from the meeting</p> <p>Full pre-app – one meeting plus a written response.</p> |
|          |   |   | <p><b>Small Scale Majors (up to 30 dwellings or Non-Residential floor space between 1000 – 4999 sqm or a site area between 1 – 2 Ha)</b></p> <p>One Scoping meeting with agreed notes from the</p>  |

## Appendix C

| Activity    | Current Fee £ (2018/19)   | Proposed Fee £ (2019/20)  | Comments  |
|-------------|---|---|---|
|             | £480<br><br>£1800 (£1320 if it follows a scoping meeting). Or a specific PPA. | £480<br><br>£1800 (£1320 if it follows a scoping meeting). Or a specific PPA. | meeting<br><br>Full pre-app – two meetings plus a written response. If more than two meetings are required the pre-app will be the subject of a specific PPA.   |
|             | £720<br><br>Specific PPA  | £720<br><br>Specific PPA  | <b>Large Majors (Over 31 dwellings or Non-Residential floor space over 500sqm or a site area over 2 Ha all renewable energy proposals unless a domestic scale and all development that requires an EIA)</b><br><br>One Scoping meeting with agreed notes from the meeting<br><br>Full Pre-app |
| Exemptions: | No Charge   | No Charge   | 100% Affordable Housing schemes   |
|             | No Charge   | No Charge   | Facilities for the disabled   |

| Activity               | Current Fee £ (2018/19) | Proposed Fee £ (2019/20) | Comments   |
|------------------------|-------------------------|--------------------------|--|
|                        | No Charge               | No Charge                | Parish/Town Council  |
| Pre-App Charges Notes: |                         |                          | <p>Floor space refers to gross external floor space<br/>The fee stated are inclusive of VAT</p> <p>For the purposes of pre-app fees flats and holiday accommodation are considered as dwellings.</p> <p>Fees will be the subject of review</p> |

The first five fees/charges were introduced this year and to date take up has been very low, further consultation is taking place with the planning agents to ascertain why the service is not being used and whether the charge is a major factor. Given the low take up so far it is not proposed to alter the fees at this point.

Charging for the Duty Planning service was introduced in April 2018. A budget target of £5,000 was set based on a conservative forecast of income due to the unknown uptake. Uptake has been higher than predicted and together with a rise in the fee from £30 to £40 it is predicted that an income of £14,000 is achievable in 2019/20 (an increase of £9,000).

The fees for planning pre-application advice were revised at the beginning of this financial year with some of the fees significantly rising and the introduction of a fee for a scoping meeting for larger development. It was anticipated that the change in fee structure would be broadly neutral, however this year's projected income of £50,000 will be met. Given the rise in the pre-application fees last year (2018/19) it is not considered reasonable to raise them again this year.

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# Agenda Item 7

## NOT FOR PUBLICATION

Appendix I to this report is considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council.

Report to: **Joint Development Management Committee and Overview and Scrutiny Panel**

Date: **24 January 2019**

Title: **Budget Proposals for 2019/20 Onwards Update**

Portfolio Area: **Cllr R Tucker – Annual Budget Setting**

Wards Affected: **All**

Relevant Scrutiny Committee: **Joint Development Management Committee and Overview and Scrutiny Panel**

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

Author: **Lisa Buckle** Role: **Strategic Finance Lead (S151 Officer)**

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### Recommendations:

**The views of the Joint Development Management Committee and Overview and Scrutiny Panel are sought on the content of the Revenue Budget Proposals report for 2019/20.**

**Views are sought in particular on:-**

- (i) The increase in Council Tax for 2019/20 of £5 as per paragraph 3.4 of the report;**
- (ii) The financial pressures shown in Appendix A of £1,354,700;**
- (iii) The net contributions to/from Earmarked Reserves of £782,300 as per Appendix E;**

**(iv) The proposed savings of £1,060,226 for 2019/20 as shown in Appendix A.**

**(v) The proposed use of £500,000 of New Homes Bonus funding to balance the 2019/20 Revenue Budget as shown in Appendix E.**

**(vi) Further measures to close the predicted 2019/20 budget gap of £46,007.**

**1. Executive summary**

- 1.1 The Council approved its Medium Term Financial Strategy (MTFS) for 2019/20 to 2023/24 at Council on 27<sup>th</sup> September 2018. This is based on a financial forecast over a rolling five year timeframe to 2023/24. The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. Between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £4 million.
- 1.2 South Hams has continued to work in partnership with West Devon Borough Council which has allowed South Hams District Council to achieve annual savings of £3.9 million and more importantly protect all statutory front line services.
- 1.3 Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.4 ***South Hams District Council is currently forecasting a £46,007 budget gap in 2019/20 and a further £470,089 budget gap by 2020/21.***
- 1.5 It is important to note that the MTFS set out the budget strategy for the Council for the next five years, with annual reviews and updates when items are further known or are announced by the Government. The MTFS approved at Council in September 2018 was the starting point for developing a meaningful five year strategy that has set out the strategic intention for all of the different strands of funding available to the Council. The Council is now able to rely on this to inform future decisions.

## 2 CHANGES TO THE 2019/20 BUDGET REPORT SINCE THE EXECUTIVE MEETING OF 13<sup>th</sup> DECEMBER 2018

### Draft Local Government Finance Settlement for 2019/20

- 2.1 On 13<sup>th</sup> December 2018, the Government announced the draft Finance Settlement for 2019/20 for consultation. Appendix C sets out an analysis of the finance settlement over the four years from 2016/17. **Overall over the four year funding settlement from 2016/17 to 2019/20, it can be seen that South Hams District Council has had a 39.5% reduction in Government funding.** This compares against 38.8% for the average for Shire District Councils. The key points from the Finance Settlement are below.
- 2.2 The Council Tax Referendum limits for District Councils will remain the same (the higher of £5 or 2.99%). For Police and Crime Commissioners the potential annual increase to their council tax will be increased to £24 per annum.
- 2.3 Negative Revenue Support Grant (RSG) for 2019/20 will be eliminated by the Government. There has been no news on what will happen to negative RSG from 2020/21 onwards and therefore the modelling in this report has assumed negative RSG will remain for 2020/21 onwards in some form (e.g. as part of the business rates baseline reset). It is currently estimated to be £400,000 per annum which would be deducted off the Council's business rates funding and represents negative Government grant (it is effectively the Council's further predicted funding cuts).
- 2.4 For 2019/20 there are no changes to the New Homes Bonus baseline of 0.4% (the previous concern was that this could be increased to 0.6%). The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council. The Council's New Homes Bonus allocation for 2019/20 has been announced at £1,226,862. (see 4.6 for detail)
- 2.5 Rural Service Delivery Grant (RSDG) in 2019/20 will increase to £81m; an increase of £16m on the previously planned £65m allocation. This has increased South Hams' allocation from £327,451 for 19/20 to £408,055 – an increase of £80,604. This additional funding has only been confirmed for 2019/20 (so only confirmed for one year). It is not known how much RSDG the Council will receive for 2020/21 onwards and the same level of £408,055 has been assumed in the modelling.
- 2.6 Proposals for new 75% Business Rates Pilots in 2019/20 have been approved for 15 areas and these are in Berkshire, Buckinghamshire, East Sussex, Hertfordshire, Lancashire, Leicestershire, Norfolk, Northamptonshire, North and West Yorkshire, North of the Tyne, Solent, Somerset, Staffordshire and Stoke, West Sussex and Worcestershire; Unfortunately Devon wasn't successful in being a

Business Rates Pilot for 2019/20 but the majority of the Pilots announced are new Pilot areas for 2019/20. Devon is already a Pilot for 2018/19. This will mean that South Hams District Council will continue to be part of a Devonwide Business Rates Pool for 2019/20.

- 2.7 In addition to the local government finance settlement, two consultation papers have been published on the Fair Funding Review and Business Rates Retention. Officers will attend local seminars on this during January and February and circulate a consultation response to all Members and our local MPs.
- 2.8 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement. From 2018/19 onwards, the Council has received no Government funding (Revenue Support Grant, RSG) and the Council will need to be self-sufficient. Although the four year settlement offered no Revenue Support Grant, it did guarantee the Council its allocations of Rural Services Delivery Grant over the four year period. The Finance Settlement for 2019/20 only covered the last year of the four year settlement. The point is being made by the Local Government Association (LGA) that Councils need more certainty of their funding longer term post 2020.
- 2.9 There is a one-off amount of £29,000 being paid to the Council from the surplus national business rates funding held in the Government Levy Account (SHDC's share) and this money is for 2018-19.

**Other updates to the Budget report since the Executive meeting of 13<sup>th</sup> December 2018**

- 2.10 On 6<sup>th</sup> December 2018, Council approved the recommendation of the Frontline Services Project Board to award a contract (Lot 3) for the waste collection, recycling and cleansing services (Council Minute 41/18). This has generated a saving from a Lot 3 award of £286,000 per annum (the annum saving increases to £424,000 on commencement of the Devon aligned service). It was also approved to increase the contribution into the Vehicle Replacement Earmarked Reserve from £490,000 to £550,000 per annum (Appendix E).
- 2.11 The TaxBase for 2019/20 was approved by the Senior Leadership Team on 17<sup>th</sup> December and has been confirmed at 38,179.72 – This is an increase of 327.79 Band D Equivalent properties from the 2018/19 TaxBase. (The increase of just under 328 Band D Equivalent properties is less than the previously modelled assumption that the number of properties would increase by 450 per annum).

2.12 The table below shows the summary of changes:-

|  | <b>Total (£)</b> |
|--|------------------|
| <b>Budget Gap for 2019/20 reported to the Executive meeting on 13<sup>th</sup> December 2018</b>   | <b>391,473</b>   |
| <b><i>Additional Income/Savings</i></b>  |                  |
| Increase in the allocation of Rural Services Delivery Grant from £327,451 for 19/20 to £408,055 – an increase of £80,604   | (80,604)         |
| Savings from the re-procurement of the waste collection, recycling and cleansing services contract (Council Minute 41/18)  | (286,151)        |
| Boat Storage Charges (as per the Fees and Charges report on this agenda)   | (3,000)          |
| Increase the Business Rates baseline for 2019/20 to £1,897,000 (previously £1,896,073)   | (927)            |
| <b><i>Reduction in savings or income modelled</i></b>  |                  |
| TaxBase confirmed at 38,179.72 for 2019/20<br>(There are less additional properties and therefore this difference set out in 2.11 adds to the budget gap)                                      | 20,216           |
| Legal savings (from providing services to Town and Parish Councils) previously put forward as part of the Budget Workshop are now thought to not be achievable with the current resource level | 5,000            |
| <b>Revised Budget Gap for 2019/20 reported in this report</b>  | <b>46,007</b>    |

### **3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES**

- 3.1 The National Employers made a final pay offer covering 1 April 2018 to 31 March 2020. The majority of employees (those on salaries starting at £19,430 p.a.) have received an uplift of 2% on 1/4/18 and a further 2% on 1/4/19, with those on lower salaries receiving higher increases. The cost of this was £255,000 in 2018/19 and a further £280,000 in 2019/20. This has been reflected in Appendix A. The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 3.2 The report assumes inflation will run at 2.5% over the five year period. The Consumer Prices Index (CPI) was 2.4% in October 2018.
- 3.3 The predicted interest rate forecast from our treasury management advisors, Link Services, is that interest rates will remain at 0.75% up to June 2019. By December 2020 the bank base rate is predicted to increase to 1.5%.
- 3.4 An increase in council tax of the higher of £5 or 2.99% for the next five years has been modelled for council tax purposes. This would equate

to a Band D council tax for South Hams of £165.42 in 2019/20 as shown in Appendix B and equates to a council tax increase of 3.12% (an increase of £5). A 1% increase in council tax generates £61,000.

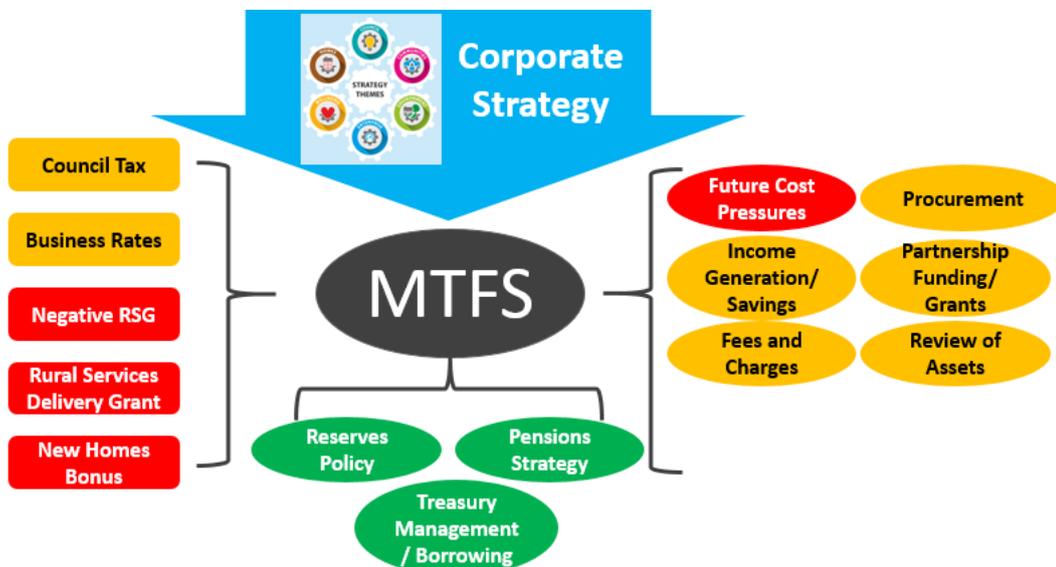
3.5 It has been assumed that the number of properties within the District will increase by 450 per annum from 2019/20 to 2023/24 – this is an increase of approximately 1.2%. (see note 2.11 for the 2019/20 increase of just under 328 Band D Equivalent properties and Members may wish to review this estimate in the future).

**4. THE COMPONENTS MAKING UP A MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

4.1 The Diagram below in 4.1 sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Appendix C of the Medium Term Financial Strategy report to Council on 27<sup>th</sup> September went through each of these components in detail and made recommendations where appropriate.

Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council’s control or influence.

**Net Budget £8.9 million 2018/2019**



**Council Tax**

4.2 Council on 27<sup>th</sup> September 2018 (Council Minute 31) has set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to enable continued delivery of services. The actual council tax for any given year will be decided by Council in the preceding February. This would

equate to a Band D council tax for South Hams of £165.42 in 2019/20 as shown in Appendix B and equates to a council tax increase of 3.12% (an increase of £5). The council tax for 2019/20 will be set at the Council meeting on 21st February 2019.

### **Business Rates**

- 4.3 The income from Business Rates which South Hams District Council retained in 2017/18 was the funding baseline of £1,800,829. The Council was not part of the Devon Pool in 2017-18 due to the risk of business rates appeals, but South Hams is part of the Business Rates Pilot in 2018-19. Estimates have been made of the Baseline funding Level for 2019/20 onwards as set out in Appendix B. This is £1.89m for 2019/20 and £1.94m for 2020/21. Negative RSG of £400,000 per annum from 2020/21 has been assumed to be deducted from the business rates funding as set out in 2.3.

### **New Homes Bonus (NHB)**

- 4.4 The Government has stated that 2019/20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue. The financial modelling has included using £500,000 of New Homes Bonus funding for 2019/20 to fund the revenue base budget and this has then been reduced to £400,000 in 2020/21 and £250,000 in 2021/22 for modelling purposes.
- 4.5 For 2019/20 there are no changes to the New Homes Bonus baseline of 0.4% (the previous concern was that this could be increased to 0.6%). The baseline is the proportion of housing growth which is deducted as 'natural growth as such' before New Homes Bonus is paid to a Council. The Council's New Homes Bonus allocation for 2019/20 has been confirmed at £1,226,862.
- 4.6 The table below sets out the suggested use of New Homes Bonus funding for 2019/20:-

| <b>NHB</b>                                 | <b>Amount (£)</b> |
|--|-------------------|
| New Homes Bonus 2019-20 allocation         | 1,226,862         |
| Suggested allocation:-                     |                   |
| To fund the Revenue Base Budget            | (500,000)         |
| To fund the Capital Programme for 2019/20* | (690,000)         |
| Transfer of land to Dartmouth Town Council | (17,000)          |
| Community Grants (CAB Outreach Worker)     | (10,000)          |
| Dartmoor National Park allocation**        | TBA               |
| Amount remaining unallocated               | 9,862             |

\*The Capital Programme Bids for 2019/20 are a separate report on the agenda of the Joint Development Management Committee and Overview and Scrutiny Panel

\*\*Dartmoor National Park (DNP) – On an annual basis Dartmoor National Park request a share of the New Homes Bonus to reflect new homes delivered within the Park. The money is used to support a local community fund and, for example, joint work through the rural housing enabler. Members consider this on an annual basis as part of the Budget process.

- 4.7 District Councils such as South Hams have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years' payments being reduced from six years to five years in 17/18 and four years from 18/19 onwards. The New Homes Bonus funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils.

#### **Pensions Strategy (Actuarial Valuation)**

- 4.8 The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. Options are being presented to the Council's Audit Committee on 31st January to consider.

#### **Treasury Management and Borrowing Strategy**

- 4.9 The Council has taken external treasury management advice on the Council's overall borrowing levels and debt levels. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £75 million. In February 2019, the Council will consider its Capital Strategy and Treasury Management Strategy which will contain the new requirements issued by MHCLG in February 2018 of the new guidance. Members received training on the new requirements in November 2018.

#### **Partnership Funding/Grants**

- 4.10 The Community Task & Finish Group has proposed funding reductions of £32,300 to Partnerships (South Devon CVS – £22,600 and the South Devon AONB - £9,700 Projects funding). This was considered by the Overview and Scrutiny Panel on 6<sup>th</sup> September 2018 and the Executive on 13<sup>th</sup> September. This was also included within the Members' Budget Workshop and the Members' Budget Survey.
- 4.11 South Devon CVS – A proposal was put forward at the Budget Workshop to reduce the CVS Partnership funding from £22,600 currently to £10,000 in 2019/20 and £5,000 in 2020/21 onwards and to remain at the £5,000 level for subsequent years. The results of the Members' Survey were close between Members supporting this proposal and Members supporting the original recommendation of the Community Task and Finish Group. There was also support for a

different funding structure for the CVS, so on balance the option proposed at the Budget Workshop (to reduce the CVS Partnership funding from £22,600 currently to £10,000 in 2019/20 and £5,000 in 2020/21 onwards) has been modelled in this Budget update report.

#### **Partnership Funding/Grants (continued)**

- 4.12 South Devon AONB – Again the results of the Members’ Survey were close between Members supporting a different projects funding structure and Members supporting the original recommendation of the Community Task and Finish Group. The majority of respondents in the Budget Survey supported reducing the project funding in its entirety (£9,700). (Note - The Council will continue to provide core funding of £20,700 in 2019/20).
- 4.13 Drug and Alcohol Task and Finish Group – An additional cost pressure for this was not supported by Members in the Budget Survey and therefore this has not been included as a cost pressure.
- 4.14 **Investment in the CCLA** - The Members’ Survey showed support for investing in the CCLA Property Fund. Members have asked for further information e.g. on the Diversified Income Fund also. An options paper has been provided in Appendix F (Appendices G and H also refer).

#### **Commercial Property and Review of Assets**

- 4.15 On 14th June 2018, the Executive considered a report on Council Owned Asset Investment and Development opportunities. The Council has prepared business cases on the Commercial Development opportunities and a summary report was presented to the Executive on 13<sup>th</sup> December (Minute E.62/18).
- 4.16 The Council’s Asset Base is £75 million at 31 March 2018. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council’s Assets.
- 4.17 **Development Management**  
There is also a report on this agenda on a performance update on Development Management (Minute 47/18 (c) refers). If there are any recommendations from resource requirements from this report (or which arise out of this Joint Budget meeting) which also need building into the 2019/20 Budget Setting process, this can be factored into the Final Budget Proposals by the Executive on 7<sup>th</sup> February 2019 to Council in February.
- 4.18 **Income Generation/Savings**  
The Council’s Extended Leadership Team have been directed by the Executive to present further budget options to Members for income generation/savings/reduced expenditure, taking into consideration the Council’s corporate strategy and the latest budget position.

## 5 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

5.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.

5.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. **These figures in Appendix A show the changes to the existing base budget.**

| (As set out in Appendix A)                                  | 2019/20<br>£ | 2020/21<br>£ | 2021/22<br>£ | 2022/23<br>£ | 2023/24<br>£ |
|---|--------------|--------------|--------------|--------------|--------------|
| Cost Pressures  | 1,354,700    | 920,762      | 445,761      | 335,000      | 335,000      |
| (Reduction)/ Increase in contribution to Earmarked Reserves | (398,916)    | 40,000       | 150,000      | 100,000      | 100,000      |
| Savings and additional income                               | (1,060,226)  | (532,085)    | (353,412)    | (139,196)    | (12,100)     |

## 6. OVERALL POSITION – BUDGET GAP

6.1 Appendices A and B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £8.9 million in 2018/19. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if Council Tax is increased by the higher of 2.99% or £5 (Appendix B).

6.2 The following table illustrates the predicted budget gap from 2019/20 onwards for the Council as shown in Appendices A and B:

| Cumulative Budget Gap   | 2019/20<br>£ | 2020/21<br>£ | 2021/22<br>£ | 2022/23<br>£ | 2023/24<br>£ | Total Aggregated Budget Gap<br>£ |
|-------------------------|--------------|--------------|--------------|--------------|--------------|----------------------------------|
| Modelling in Appendix B | 46,007       | 516,097      | 428,841      | 386,529      | 462,201      | 1,839,675                        |

6.3 In the modelling in Appendix B, the total budget gap is £46,007 in 2019/20 and this is predicted to rise to £516,097 in 2020/21 (the £516,097 assumes the budget gap in 19/20 of £46,007 has not been closed). The aggregated Budget Gap is £1.8 million over the five years.

## 7 FINANCIAL SUSTAINABILITY AND TIMESCALES

7.1 The Council is progressing various options for closing the budget gap in 2019/20 and future years, to achieve long term financial sustainability. The table below sets out a timescale for those options and the various strands that the Council is exploring.

| Option   | Possible Budget Impact                          | Timescale  |
|--|---|--|
| <p><b>Pensions Strategy</b><br/>The Council is obtaining specialist pensions advice on its Pensions position and progress on this will be reported to the Audit Committee. The Council will look at options to reduce its revenue contribution for pensions, to aid affordability.</p> | Up to £200,000                                  | Report to the Audit Committee in January 2019.   |
| <p><b>Waste Procurement</b><br/>The savings from the waste procurement are now included within the modelling within this budget report.</p>  | Already included                                | Already included   |
| <p><b>Council Tax Reduction Scheme</b><br/>The grant to Town and Parish Councils has been reduced by 9.85% over the four year period of the finance settlement.<br/><br/>Members have an option over whether to withdraw funding in 2020/21.</p>                                       | £74,000 for 2020/21 Onwards                     | To be considered as part of the 2020/21 Budget process<br><br>Early consideration by Summer 2019 |
| <p><b>Investment in the CCLA</b><br/>The Members' Survey showed support for investing in the CCLA Property Fund. Members have asked for further information e.g. on the Diversified Income Fund also. An options paper has been provided in Appendix F.</p>                            | Saving of £60,000 included within the modelling | Further information has been provided in Appendix F<br><br>(Appendices G and H also refer)       |
| <p><b>Asset Review/ Corporate Property Strategy</b><br/>There was a separate report on the Executive agenda in December 2018 for</p>   | Initial income projections have been            | Regular updates will be provided to Members.   |

| <b>Option</b>  | <b>Possible Budget Impact</b>   | <b>Timescale</b>  |
|--|---|---|
| 'Commercial Development Opportunities'.  | included within this budget report.   |   |
| <b>Funding Options</b>   |   |   |
| <p><b>Negative Revenue Support Grant</b></p> <p>The draft Finance Settlement published in December 2018 confirmed the Government's intention that negative RSG will be withdrawn in 2019/20.</p> <p>This budget report has already factored in that there will be no negative RSG for 2019/20. It is assumed that negative RSG of £400,000 per annum will continue to happen for 2020/21 onwards.</p> <p>See Section 2.3 for more explanation</p>  | <p>Negative RSG of £400,000 for 2020/21 onwards has been built into this budget report.</p> | <p>The draft Finance Settlement for 2019/20 has only confirmed that negative RSG will be withdrawn for 2019/20 only.</p> <p>The position for 2020/21 onwards is not known and it is assumed that negative RSG of £400,000 per annum will be in place.</p> |
| <p><b>New Homes Bonus allocations for 2019/20</b></p> <p>The Government has stated that 2019/20 represents the final year of NHB funding and from 2020 onwards they will explore how to incentivise housing growth most effectively and will consult on this issue. The financial modelling has included using £500,000 of New Homes Bonus funding for 2019/20 to fund the revenue base budget and this has then been reduced to £400,000 by 2020/21 and £250,000 by 2021/22 for modelling purposes.</p> <p>It is not known what NHB allocations (or a similar scheme) will be in future years when the NHB scheme is replaced. This remains a risk for the Council.</p> | <p>To be Assessed</p>   | <p>Awaiting further announcements from the Government</p>   |
| <p><b>Contributions to Earmarked Reserves</b></p> <p>The Council could vary the amount of</p>  | <p>To be</p>  | <p>To be decided as</p>   |

| Option  | Possible Budget Impact | Timescale                                   |
|---|------------------------|---|
| <p>contribution into some of the Earmarked Reserves. This will be considered in more detail as part of the budget process.</p> <p>Contributions to Earmarked Reserves are shown in Appendix E.</p>  | Assessed               | part of the Budget Process                  |
| <p><b>Use of Reserves as a temporary measure</b></p> <p>The Council has £1.85 million in Unearmarked Reserves. The Council could temporarily utilise Reserves to balance an element of the 2019/20 budget, whilst longer term solutions are being implemented. This would be a very short term solution though.</p> | To be Assessed         | To be decided as part of the Budget Process |

7.2 The diagram below shows the Government timetable of key dates. The key dates will be in May 2019 when more details will be known about the Funding Reform and Spending Review 2019. In November 2019, the baseline funding for business rates and the impact of transitional arrangements will be known.



## **8. CAPITAL PROGRAMME 2019/20 AND PRUDENTIAL BORROWING**

8.1 The Capital Programme is set by the Council annually and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. Capital Bids have been requested from Project Managers and a proposed Capital Programme for 2019/20 is a separate report on this agenda.

8.2 **Commercial Property Acquisition Strategy** – The Council has agreed a commercial property acquisition strategy of up to £60 million (capped at £30 million before 30 April 2019). No purchases have yet been made but there was a report on the December Executive agenda regarding proposed projects. Purchases made within the strategy will be capital expenditure. The funding for the initial years of the development projects was part of the report to the Executive in December 2018.

8.3 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.

8.4 An overall Borrowing Limit (£75 million) has been approved as part of the Medium Term Financial Strategy, with £60 million being for the Commercial Property Strategy and £15 million for other borrowing requirements.

8.5 There is a separate report on this agenda for the Capital Programme Proposals for 2019/20 which requests the views of the Joint Development Management Committee and Overview and Scrutiny Panel on:

- i) The content of the Capital Programme Proposals for 2019/20, which total £1,290,000 (Appendix A of the Capital report)
- ii) The content of the Capital Programme Proposals for 2019/20, which total £14,001,000 (Exempt Appendix B of the Capital report)
- iii) The proposed financing of the 2019/20 Capital Programme of £15,291,000 from the funding sources set out in Section 4 of the Capital Programme report.

## **9. Sensitivity Analysis and Risk Analysis**

9.1 The Council carries out sensitivity analysis and risk analysis of its Budget Proposals and this was shown in Appendix F to the Medium Term Financial Strategy.

## **10. Earmarked and Unearmarked Reserves**

10.1 The current levels of Reserves are £1.85 million Unearmarked Reserves and Earmarked Reserves are predicted to be around £10 million at the end of 2018/19. The Council's Net Budget is £8.98 million

for 2018/19. Therefore Unearmarked Reserves equate to 20.6% of the Council's Net Budget. A full list of Reserves is shown in Appendix D.

10.2 Appendix E shows the proposed contributions to Reserves for 2019/20. On 6<sup>th</sup> December 2018 (Council Minute 41/18), Council approved a contribution of £60,000 per annum into a Vehicle Replacement Earmarked Reserve for the waste collection, recycling and cleansing services contract.

10.3 **Budget Monitoring** - The latest Quarter 2 Budget Monitoring report shows the actual net revenue expenditure is forecast to be over budget by £66,000 when compared against the total budget set for 2018/19 (0.7% of the total Budget £8.983 million). A Quarter 3 (end of December 18) Budget Monitoring report will be presented to the Executive on 7<sup>th</sup> February 2019.

## 11 NEXT STEPS

11.1 This Medium Term Financial Strategy is the starting point for developing a meaningful five year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. This was approved at Council in September 2018. The Council is now able to rely on this to inform future decisions.

11.2 Section 7 sets out the potential timescales against each of the areas identified.

11.3 This budget update report is being presented to the Joint Development Management Committee and Overview and Scrutiny Panel for their views. The future budget meetings are shown below:-

|                               |  |
|-------------------------------|--|
| 7 <sup>th</sup> February 2019 | Executive – To recommend Final Budget Proposals to Council for 2019/20   |
| 21 <sup>st</sup> February 19  | Full Council – To approve Final Budget Proposals for 2019/20 and set the SHDC share of the Council Tax   |
| 22 <sup>nd</sup> February 19  | Council Tax Setting Panel – to agree the Council Tax Resolution for 2019/20 (This is SHDC share plus all other precepting Authorities' share). |

## 12. IMPLICATIONS

| Implications | Relevant to proposals Y/N | Details and proposed measures to address |
|--------------|---------------------------|--|
|              |                           |  |

|  |   |  |
|--|---|--|
| Legal/Governance                             | Y | <p>The preparation of the Budget annually is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p> <p>Appendix I to this report are considered exempt under paragraph 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council. The public interest has been assessed and it is considered that, the public interest is better served by non-disclosure to the press and public.</p> |
| Financial                                    | Y | <p>In the modelling in Appendix B, the total budget gap is £46,007 in 2019/20 and this is predicted to rise to £516,097 in 2020/21 (the £516,097 assumes the budget gap in 19/20 of £46,007 has not been closed). The aggregated Budget Gap is £1.8 million over the five years.</p>   |
| Risk   | Y | <p>Each of the budget options taken forward by Members will consider the risks of the option.</p>  |
| Comprehensive Impact Assessment Implications |   |  |
| Equality and Diversity                       |   | <p>Comprehensive Impact Assessments are completed for the budget proposals.</p>  |
| Safeguarding                                 |   | <p>None directly arising from this report.</p>   |
| Community Safety, Crime and Disorder         |   | <p>None directly arising from this report.</p>   |
| Health, Safety and Wellbeing                 |   | <p>None directly arising from this report.</p>   |
| Other implications                           |   | <p>None directly arising from this report.</p>   |

### Supporting Information

#### Appendices:

- Appendix A – Budget pressures and savings
- Appendix B – Modelling of the Budget (MTFS) Position
- Appendix C – Analysis of the Finance Settlement
- Appendix D - Schedule of Reserves (Unearmarked and Earmarked)
- Appendix E – Contributions to Reserves
- Appendix F – CCLA Investment
- Appendix G – Local Authority Property Fund factsheet
- Appendix H – Diversified Income Fund factsheet
- Exempt Appendix I – Members’ Budget Survey Results

**BUDGET PROPOSALS 2019/20 JANUARY 2019**  
**(This shows the changes to the existing Base Budget)**

**APPENDIX A**

|  | <b>BASE</b>    | <b>Yr1</b>       | <b>Yr2</b>     | <b>Yr3</b>     | <b>Yr 4</b>    | <b>Yr 5</b>    |
|--|----------------|------------------|----------------|----------------|----------------|----------------|
|  | <b>2018/19</b> | <b>2019/20</b>   | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> |
|  | <b>£</b>       | <b>£</b>         | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| <b>BUDGET PRESSURES</b>  |                |                  |                |                |                |                |
| Inflation and increases on goods and services * (see note 1 below)   | 220,000        | 220,000          | 220,000        | 220,000        | 220,000        | 220,000        |
| Torr Quarry Transfer Station   | 137,500        | 142,500          |                |                |                |                |
| Triennial Pension revaluation  |                |                  | 75,000         |                |                |                |
| Salaries - provision for pay award at 2% * (see note 1 below)  | 255,000        | 280,000          | 90,000         | 90,000         | 90,000         | 90,000         |
| National Living Wage and National Insurance * (see note 1 below)   | 60,000         | 50,000           | 25,000         | 25,000         | 25,000         | 25,000         |
| Employer's pension costs - Waste collection, recycling and cleansing contract  |                | 290,000          |                |                |                |                |
| Depot annualised costs - Waste collection, recycling and cleansing contract  |                | 22,200           | 60,762         | 60,761         |                |                |
| Devon aligned service for waste  |                |                  | 175,000        | 175,000        |                |                |
| Implementation costs for Devon aligned service for waste (one-off)   |                |                  | 125,000        | (125,000)      |                |                |
| Reduction in recycling income  |                | 125,000          |                |                |                |                |
| Blue and Clear recycling bag processing (safe working practice requirement)  |                | 75,000           |                |                |                |                |
| Haulage contract   |                | 60,000           |                |                |                |                |
| Salaries provision for steady state review   | 30,000         |                  |                |                |                |                |
| Reduction in Housing Benefit administration subsidy and Council Tax Support Admin Grant  | 20,000         | 15,000           |                |                |                |                |
| Planning - legal fees  | 20,000         |                  |                |                |                |                |
| Cost of lease renewal (car park lease)   | 23,000         |                  |                |                |                |                |
| Car parking costs - collection fees  |                | 25,000           |                |                |                |                |
| ICT future service provision   |                |                  | 150,000        |                |                |                |
| ICT support contracts - increase the budget to better align to actual expenditure  | 40,000         | 50,000           |                |                |                |                |
| Reduce the income target for income from business rated domestic properties for trade waste collection - to reflect actual income being achieved | 40,000         |                  |                |                |                |                |
| IT - Replace ageing network switches (£15K) and fixed line to Ivybridge Depot (£6K)  | 21,000         |                  |                |                |                |                |
| Waste service - Train staff to be HGV drivers  | 16,000         |                  |                |                |                |                |
| Fees and Charges report - review of Taxi Licensing fees - Licensing Committee on 11 January  | 11,200         |                  |                |                |                |                |
| Increase the contribution to Ivybridge Ring and Ride   | 2,000          |                  |                |                |                |                |
| <b>TOTAL BUDGET PRESSURES</b>  | <b>895,700</b> | <b>1,354,700</b> | <b>920,762</b> | <b>445,761</b> | <b>335,000</b> | <b>335,000</b> |

\* Note 1 - These figures will be split between frontline services and non-frontline services

**Changes to contributions to Earmarked Reserves**

|   |                |                  |               |                |                |                |
|---|----------------|------------------|---------------|----------------|----------------|----------------|
| Reduce the contribution from the New Homes Bonus Reserve (£641,084 in 2018/19 - assumes a contribution of £500,000 in 19/20 with reduced contributions thereafter e.g. to £400,000 in 2020/21 and £250,000 21/22) | (91,503)       | 141,084          | 100,000       | 150,000        | 100,000        | 100,000        |
| Vehicle Fleet Replacement Reserve (Council 6th December 2018)   | (197,000)      | 60,000           |               |                |                |                |
| Contribution to Economic Regeneration Projects Reserve (Business Rates Pilot gain). This contribution is one-off for 2018/19 only.  | 475,000        | (475,000)        |               |                |                |                |
| Contribution to Planning Policy and Major Developments Reserve (shows annual contribution increasing by £25,000 per annum)  | 25,000         | 25,000           |               |                |                |                |
| Reduce contribution from the Strategic Issues Reserve as the reserve is Nil   | 7,000          |                  |               |                |                |                |
| Transformation Project (T18) - Approved at 11 December 2014 Council Contribution to Strategic Change Reserve to meet pension strain costs   | (75,000)       | (150,000)        | (60,000)      |                |                |                |
| <b>Total changes in contributions to Earmarked Reserves</b>   | <b>143,497</b> | <b>(398,916)</b> | <b>40,000</b> | <b>150,000</b> | <b>100,000</b> | <b>100,000</b> |



**BUDGET PROPOSALS 2019/20 JANUARY 2019**  
**(This shows the changes to the existing Base Budget)**

**APPENDIX A**

| <b>SAVINGS AND INCOME GENERATION IDENTIFIED</b>  | <b>BASE</b>    | <b>Yr1</b>     | <b>Yr2</b>     | <b>Yr3</b>     | <b>Yr 4</b>    | <b>Yr 5</b>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> |
|  | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| Boat Storage Charges (as per Fees and Charges report)  | (14,300)       | (3,000)        |                |                |                |                |
| Income from fees and charges report  | (33,300)       |                |                |                |                |                |
| Food hygiene rating scheme revisits  | (1,250)        |                |                |                |                |                |
| Increase in car parking charges (2%)   | (38,000)       |                |                |                |                |                |
| Additional car parking income - increase income projection to reflect actual income  | (70,000)       |                |                |                |                |                |
| Car Parking - Withdrawal of weekly parking tickets   | (15,000)       |                |                |                |                |                |
| Duty Planning - charged appointment basis (as per Fees and Charges report)   | (5,000)        | (9,000)        |                |                |                |                |
| Savings from re-procurement of contracts (e.g. leisure contract)   | 0              | (22,000)       | (165,000)      | (105,000)      | (76,000)       | 0              |
| Procurement of waste collection, recycling and cleansing contract<br>(Note - The employer's pension costs of £290,000, the depot annualised costs of £22,200 and the increase to the Vehicle Earmarked Reserve of £60,000 are deducted from this figure to show the total net annual saving as per the report to Council on 6th December 2018) |                | (658,351)      | (129,674)      | (129,672)      |                |                |
| Income from Commercial Developments (Executive 13/12/18)   |                |                | (34,458)       | (81,453)       | (41,096)       |                |
| Planning fee income  | (110,000)      | (40,000)       |                |                |                |                |
| Income from commercial developments  | (30,000)       |                |                |                |                |                |
| Licensing income - shellfish export certificates   | (30,000)       |                |                |                |                |                |
| Housing Benefit recoveries of overpayments - increase income projection to reflect actual income being achieved  | (40,000)       |                |                |                |                |                |
| Dartmouth Lower Ferry  | (75,000)       | (25,000)       |                |                |                |                |
| Reduce RNLI Contracted Lifeguarding provision  | (40,000)       |                |                |                |                |                |
| Public Conveniences - Pay on Entry, contributions and transfer to Parish Council/ closure 1.9.2019 where agreement has not been reached for transfer - Includes rate relief from 2020 - Savings as set out in the Executive report 22 November 2018  | (26,000)       | (118,275)      | (112,053)      | (5,187)        |                |                |
| Other budget savings (e.g. concessions)  | (4,000)        |                |                |                |                |                |
| Reduce partnership grant funding to the CVS (£12,600) and South Devon AONB (£9,700) - see 4.11 and 4.12 of the report  | (20,000)       | (22,300)       | (5,000)        |                |                |                |
| Cessation of accepting cash and cheques (and other banking changes)  | (35,000)       |                |                |                |                |                |
| Savings from the re-procurement of the Insurance contract  | (77,000)       |                |                |                |                |                |
| Saving on External Audit Fees  | (10,000)       |                |                |                |                |                |
| Cessation of South Devon Green Infrastructure Partnership (£6,500)   | (6,500)        |                |                |                |                |                |
| Advertising on website and e-bulletins   |                | (3,500)        |                |                |                |                |
| Corporate consultancy income   |                | (20,000)       |                |                |                |                |
| Energy Certificate for Eco Schemes (as per Fees and Charges report)  |                | (10,000)       |                |                |                |                |
| Food and Health and Safety advice  |                | (3,000)        |                |                |                |                |
| Increase investment in CCLA from £1.5m to £3.5m (treasury management income) - Appendix F  |                | (60,000)       |                |                |                |                |
| Dartmouth Park and Ride - charging review  |                |                |                | (30,000)       | (20,000)       | (10,000)       |
| Interim Senior Leadership Team arrangements  |                | (34,000)       |                |                |                |                |
| Review ICT contracts   |                | (10,300)       | (6,300)        |                |                |                |
| Review cleaning contract Follaton  |                | (5,000)        |                |                |                |                |
| Vehicle Trackers   |                | (2,900)        |                |                |                |                |
| Digital Downloads of Planning applications   |                | (3,500)        | (3,500)        |                |                |                |
| Implement e-billing for Council Tax  |                | (2,100)        | (2,100)        | (2,100)        | (2,100)        | (2,100)        |
| Council Tax reduction scheme - 9.85% reduction in Town and Parish Grant in 19/20   | (9,000)        | (8,000)        | (74,000)       |                |                |                |

**TOTAL SAVINGS AND INCOME GENERATION**

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**(689,350) (1,060,226) (532,085) (353,412) (139,196) (12,100)**

Note - Items shaded in Grey denote the savings and additional income considered at the Members' Budget Workshop which have received support from the Members' Budget Survey (Exempt Appendix I)

| Line | Appendix B - Council Tax is increased by the higher of £5 or 2.99% each year  | BASE<br>2018/19<br>£ | Yr 1<br>2019/20<br>£ | Yr 2<br>2020/21<br>£ | Yr 3<br>2021/22<br>£ | Yr 4<br>2022/23<br>£ | Yr 5<br>2023/24<br>£ |
|------|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| No.  | Modelling for the financial years 2019/20 onwards   |                      |                      |                      |                      |                      |                      |
| 1    | Base budget brought forward   | 8,346,074            | 8,983,194            | 8,832,744            | 8,791,332            | 9,120,937            | 9,459,052            |
| 2    | Budget pressures (as per Appendix A)  | 895,700              | 1,354,700            | 920,762              | 445,761              | 335,000              | 335,000              |
| 3    | Savings already identified (as per Appendix A)  | (689,350)            | (1,060,226)          | (532,085)            | (353,412)            | (139,196)            | (12,100)             |
| 4    | Changes in contributions to Earmarked Reserves (App A)  | 143,497              | (398,916)            | 40,000               | 150,000              | 100,000              | 100,000              |
|      | <b>Reverse Use of Reserves to close 2017/18 Budget gap</b>  |                      |                      |                      |                      |                      |                      |
| 5    | Transfer from Budget Surplus Contingency Earmarked Reserve  | 287,273              |                      |                      |                      |                      |                      |
| 6    | <b>Projected Net Expenditure:</b>   | <b>8,983,194</b>     | <b>8,878,752</b>     | <b>9,261,421</b>     | <b>9,033,681</b>     | <b>9,416,741</b>     | <b>9,881,952</b>     |
|      | <b>Funded By:-</b>  |                      |                      |                      |                      |                      |                      |
|      | (See Note 1 below regarding New Homes Bonus funding)  |                      |                      |                      |                      |                      |                      |
| 7    | <b>Council Tax income</b> - Modelling a £5 increase in 2019/20  | 6,072,207            | 6,315,689            | 6,583,277            | 6,858,882            | 7,144,997            | 7,442,225            |
| 8    | Collection Fund Surplus   | 73,000               | 112,000              | 100,000              | 100,000              | 100,000              | 100,000              |
| 9    | Revenue Support Grant (RSG - Nil from 2018/19 onwards)  | 0                    | 0                    | 0                    | 0                    | 0                    | 0                    |
| 10   | Localised Business Rates (baseline funding level - includes Rural Services Delivery Grant of £408,055 in 2018/19 due to Pilot status) | 2,262,987            | 1,897,000            | 1,944,000            | 1,994,000            | 2,046,000            | 2,096,000            |
| 11   | Tariff/Top Up Adjustment amount (negative RSG)  |                      |                      | (400,000)            | (400,000)            | (400,000)            | (400,000)            |
| 12   | Business Rates Pilot Gain plus estimated growth for 2018/19   | 575,000              | 100,000              |                      |                      |                      |                      |
| 13   | Business Rates - changes to Baseline Need following the Reset   |                      |                      | 156,000              | 160,000              | 160,000              | 160,000              |
| 14   | Rural Services Delivery Grant   | 0                    | 408,055              | 408,055              | 408,055              | 408,055              | 408,055              |
| 15   | <b>Total Projected Funding Sources</b>  | <b>8,983,194</b>     | <b>8,832,744</b>     | <b>8,791,332</b>     | <b>9,120,937</b>     | <b>9,459,052</b>     | <b>9,806,280</b>     |
|      | <b>Budget Gap per year</b>  |                      |                      |                      |                      |                      |                      |
| 16   | (Projected Expenditure line 6 - Projected Funding line 15)  | 0                    | 46,007               | 470,089              | -87,256              | -42,311              | 75,672               |
|      | <b>Actual Predicted Cumulative Budget Gap</b>   | 0                    | 46,007               | 516,097              | 428,841              | 386,529              | 462,201              |
|      | <b>Aggregated Budget Gap (if no action is taken in each individual year to close the budget gap annually)</b>                         | 0                    | 46,007               | 562,104              | 990,946              | 1,377,475            | 1,839,675            |

| Modelling Assumptions:  | <i>An assumption of an additional 450 Band D equivalent properties per year has been included in the Tax Base and modelling above for 2019/20 onwards</i> |           |           |           |           |           |
|---|---|-----------|-----------|-----------|-----------|-----------|
| Council Tax (Band D) (Modelling the higher of £5 or a 2.99% increase) | 160.42  | 165.42    | 170.42    | 175.51    | 180.75    | 186.15    |
| Council Tax Base  | 37,851.93   | 38,179.72 | 38,629.72 | 39,079.72 | 39,529.72 | 39,979.72 |

**Note 2 - New Homes Bonus Funding**

The modelling for 2019/20 includes a contribution of £500,000 from New Homes Bonus funding to fund the Base Budget. This is shown in Appendix E and Appendix A shows the movement between years of the funding from New Homes Bonus. Funding from NHB has decreased from £641,084 in 18/19 to £500,000 in 19/20 - a decrease of £141,084.

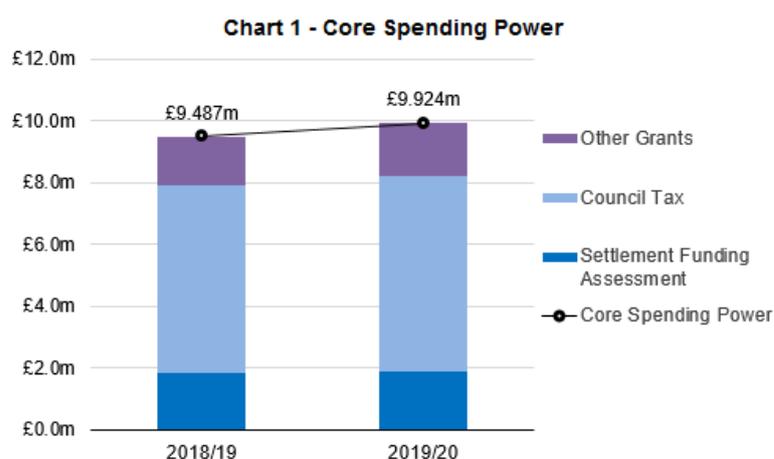
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## Core Spending Power for South Hams District Council (£m)

| Core Spending Power  | 2018/2019 (£m) | 2019/2020 (£m) | Change % |
|--|----------------|----------------|----------|
| TOTAL  | 9.487          | 9.924          | 4.6%     |
| <b>Breakdown of amounts:</b>   |                |                |          |
| Business Rates   | 1.855          | 1.897          | 2.3%     |
| Revenue Support Grant  | Nil            | Nil            | -        |
| Assumed Council Tax (this is a Government assumed figure, not the actual council tax raised)   | 6.072          | 6.330          | 4.2%     |
| <b>Other Grants</b><br>(includes Rural Services Delivery Grant of £0.408m each year and New Homes Bonus which has increased from £1.109m in 18/19 to £1.227m in 19/20) | 1.560          | 1.697          | 8.8%     |

The figures quoted in the Finance Settlement will be on the basis of Core Spending Power (the terminology used by the Government) and therefore it will be stated in the finance settlement that South Hams District Council has had a 4.6% increase in funding.

However on closer inspection of the calculation, it can be seen that the majority of this increase in funding is coming from an assumed Council Tax increase of 4.2%. (This Government figure will be based on the assumption that Councils will increase their council tax by the limit of 2.99%, plus building in some property growth). The rest of the increase is mainly due to an increase in New Homes Bonus funding for 2019/20.



## How much has South Hams District Council's Government funding decreased by over the last four years?

Answer: 39.5% since 2016/17, as shown below. The chart below shows how much reduction in funding the Council has had since 2016/17. This shows the reduction in Revenue Support Grant and funding from Business Rates. Council Tax funding is excluded from these calculations.

### Chart 2 – Reduction in Funding Charts - Change in Settlement Funding Assessment (Business Rates and Revenue Support Grant) by class of Local Authority

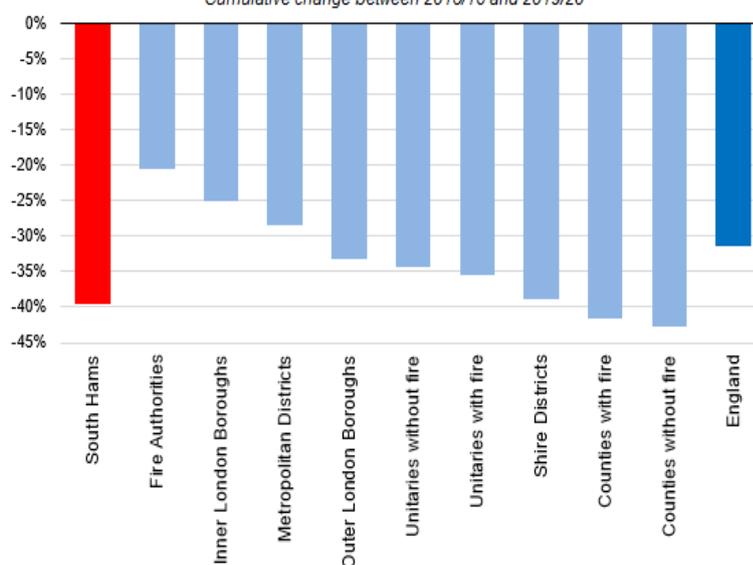
*Overall over the four year funding settlement, it can be seen that South Hams has had a 39.5% reduction in Government funding. This compares against 38.8% for the average for Shire Districts.*

Note: The reason that South Hams is showing an increase of 2.3% in its Government funding in 2019/20 is because in both of the years 18/19 and 19/20, the Council received Nil Revenue Support Grant and therefore the chart just shows the 2.3% increase in the Business Rates Baseline. (There is no reduction in the Revenue Support Grant to offset this, as the RSG is already Nil in both years).

| Authority group        | Services   |                    | Change in SFA from previous year |         |         |         | Cumulative change since 2015/16 |
|------------------------|------------|--------------------|----------------------------------|---------|---------|---------|---------------------------------|
|                        | Lower tier | Upper tier<br>Fire | 2016/17                          | 2017/18 | 2018/19 | 2019/20 |                                 |
| South Hams             | ✓          |                    | -19.8%                           | -18.6%  | -9.3%   | 2.3%    | -39.5%                          |
| Unitaries without fire | ✓          | ✓                  | -13.6%                           | -11.5%  | -7.1%   | -7.5%   | -34.4%                          |
| Metropolitan Districts | ✓          | ✓                  | -10.9%                           | -9.0%   | -5.6%   | -6.4%   | -28.4%                          |
| Inner London Boroughs  | ✓          | ✓                  | -9.6%                            | -7.8%   | -4.7%   | -5.6%   | -25.1%                          |
| Outer London Boroughs  | ✓          | ✓                  | -13.0%                           | -11.0%  | -6.8%   | -7.4%   | -33.2%                          |
| Unitaries with fire    | ✓          | ✓                  | -13.6%                           | -11.8%  | -7.4%   | -8.4%   | -35.4%                          |
| Counties with fire     |            | ✓                  | -16.7%                           | -15.1%  | -9.9%   | -8.6%   | -41.7%                          |
| Counties without fire  |            | ✓                  | -17.0%                           | -15.0%  | -9.9%   | -9.9%   | -42.7%                          |
| Shire Districts        | ✓          |                    | -16.9%                           | -15.0%  | -8.0%   | -5.8%   | -38.8%                          |
| Fire Authorities       |            | ✓                  | -6.8%                            | -8.9%   | -4.1%   | -2.4%   | -20.6%                          |
| England                |            |                    | -12.4%                           | -10.6%  | -6.3%   | -6.5%   | -31.4%                          |

Chart 3 - Cumulative change in headline SFA by class of authority

*Cumulative change between 2015/16 and 2019/20*



| RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)                       |             |  |  |                                     |  | APPENDIX D  |
|---|-------------|--|--|-------------------------------------|--|---|
|   | Cost Centre | Opening balance<br>01.04.2018<br>£000s | Additions to Reserve<br>2018/19<br>£000s | Predicted Spend<br>2018/19<br>£000s | Projected balance<br>31.03.2019<br>£000s | Comments  |
| <b>EARMARKED RESERVES</b>   |             |  |  |                                     |  |   |
| <b>Specific Reserves - General Fund</b>   |             |  |  |                                     |  |   |
| Capital Programme   | S0820       | (791)                                  | (182)                                    | 937                                 | (36)                                     | Transfer to R & M Reserve £50k, 16/17 Capital Programme £139k, 17/18 Capital Programme £392k, Kingsbridge Quay Master Plan Stage 2a £30k, 18/19 Capital Programme £326k   |
| Revenue Grants  | S0821       | (372)                                  | 0  | 0                                   | (372)                                    | Comprises of grants with no repayment conditions - created as a result of International Financial Reporting Standards (IFRS)  |
| Affordable Housing  | S0822       | (998)                                  | 0  | 920                                 | (78)                                     | Funding of Capital Programme Commitments  |
| Renovation Grant Reserve  | S0823       | (7)                                    | 0  | 0                                   | (7)                                      | Comprises proceeds from repayments  |
| New Homes Bonus   | S0804       | (869)                                  | (1,109)                                  | 1,974                               | (4)                                      | Commitments as per 18/19 budget report approved at Council on 22/2/18   |
| Community Parks and Open Spaces   | S0826       | (111)                                  | (17)                                     | 17                                  | (111)                                    | Replacement of outdoor bowls carpet, Dartmouth Bowls Club   |
| Pension Fund Strain   | S0810       | 0                                      | (99)                                     | 99                                  | 0  | T18 Pension Strain  |
| Repairs & Maintenance   | S0827       | (249)                                  | (105)                                    | 263                                 | (91)                                     | Admiral Court storage area £11.5k, Follaton House Council Chamber £19k, Totnes Toilets £2.5k and loan to Salcombe Harbour £230k Council 22/2/18 Minute ref. 68/17 refers  |
| Marine Infrastructure   | S0828       | (152)                                  | (58)                                     | 0                                   | (210)                                    | Annual contribution made by Salcombe Harbour  |
| Land and Development  | S0829       | (67)                                   | (75)                                     | 129                                 | (13)                                     | Commitments include the balance of K2 - Kingsbridge Quay Master Plan additional work £30k, land transfer to Dartmouth Town Council additional staff resources £15k, and £50k earmarked for Council Owned Asset Investment and Development E.08/18.  |
| Dartmouth Ferry Repairs & Renewals  | S0830       | (459)                                  | (87)                                     | 100                                 | (446)                                    | Fleet refurbishment   |
| Homelessness Prevention   | S0851       | (82)                                   | 0  | 0                                   | (82)                                     |   |
| Economic Initiatives  | S0831       | (49)                                   | 0  | 21                                  | (28)                                     | RDP Local Action £16.4k South West LEP £5k  |
| Vehicles & Plant Renewals   | S0832       | (1,023)                                | (490)                                    | 629                                 | (884)                                    | Fleet Replacement Programme   |
| Pay & Display Equipment Renewals  | S0833       | (102)                                  | (21)                                     | 0                                   | (123)                                    |   |
| On-Street Parking   | S0834       | (44)                                   | 0  | 0                                   | (44)                                     |   |
| Strategic Change Reserve (T18)  | S0849       | 0                                      | (210)                                    | 210                                 | 0  | T18 Pension Strain  |
| ICT Development   | S0836       | (140)                                  | (50)                                     | 67                                  | (123)                                    | ICON (cash receipting) replacement £58k   |
| Sustainable Waste Management  | S0837       | (4)                                    | (25)                                     | 29                                  | 0  |   |
| District Elections  | S0838       | (68)                                   | (10)                                     | 0                                   | (78)                                     |   |
| Beach Safety  | S0839       | (14)                                   | 0  | 0                                   | (14)                                     |   |
| Planning Policy & Major Developments  | S0840       | (228)                                  | (50)                                     | 137                                 | (141)                                    | Contribution to Joint Local Plan (JLP) Reserve  |
| Section 106 Deposits  | S0842       | (38)                                   | 0  | 0                                   | (38)                                     | Comprises deposits with no repayment conditions - created as a result of IFRS   |
| Members Sustainable Community Locality  | S0846       | (53)                                   | 0  | 53                                  | 0  |   |
| 16/17 Budget Surplus Contingency  | S0848       | (25)                                   | 0  | 25                                  | 0  | Funding for Joint Steering Group (JSG)  |
| Innovation Fund (Invest to Earn)  | S0850       | (25)                                   | 0  | 15                                  | (10)                                     | Commitment relates to the development of Admiral Court, Dartmouth (Executive 16/6/16)   |
| Community Housing Fund  | S0854       | (1,671)                                | 0  | 0                                   | (1,671)                                  |   |
| Support Services Trading  | S0856       | (20)                                   | 0  | 0                                   | (20)                                     |   |
| Leisure Services  | S0858       | (87)                                   | 0  | 0                                   | (87)                                     |   |
| Environmental Health Initiatives  | S0857       | (20)                                   | 0  | 0                                   | (20)                                     |   |
| Economic Regeneration Initiatives (predicted Business Rates pilot gain 2018/19) | S0858       | 0                                      | (475)                                    | 150                                 | (325)                                    | 2018/19 NNDR Pilot Gain. The commitments include £100,000 earmarked for Council Owned Asset Investment and Development E.08/18, and £50,000 for the proposed contribution to the South West Mutual Bank. On 13.12.18, the Executive has made a recommendation to Council to fund £325,000 of upfront borrowing costs (during the construction period) of the commercial development opportunities identified in the District from this Reserve.   |
| Section 106 Monitoring  | S0929       | (137)                                  | 0  | 0                                   | (137)                                    |   |
| Joint Local Plan  | S0860       | 0                                      | (137)                                    | 137                                 | 0  | New reserve for Joint Local Plan Funding  |
| <b>Sub Total excluding the Business Rates Reserve</b>                           |             | <b>(7,905)</b>                         | <b>(3,200)</b>                           | <b>5,912</b>                        | <b>(5,193)</b>                           |   |
| Business Rates Retention  | S0824       | 8,641                                  | (13,477)                                 | 0                                   | (4,836)                                  | The business rates reserve covers any possible funding issues from the new accounting arrangements and smoothes volatility of business rates income due to appeals. At Council on 22 February 2018, Members agreed to ring-fence £3.5 million for employment for the creation of local jobs and to better support the local economy - Executive on 13.12.18 has recommended to Council to fund the acquisition of 10 acres of employment land at Sherford from this Reserve. In addition, on 13.12.18 the Executive has recommended to Council to fund £624,833 of upfront borrowing costs (during the construction period) for the commercial development opportunities identified in the District from this Reserve also. |
| <b>TOTAL EARMARKED RESERVES</b>   |             | <b>736</b>                             | <b>(16,677)</b>                          | <b>5,912</b>                        | <b>(10,029)</b>                          |   |
| <b>TOTAL UNEARMARKED RESERVES (General Fund Balance)</b>                        |             | <b>(1,849)</b>                         |  | <b>66</b>                           | <b>(1,783)</b>                           | Projected overspend of £66,000 for 2018/19  |
| <b>TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)</b>              |             | <b>(1,113)</b>                         | <b>(16,677)</b>                          | <b>5,978</b>                        | <b>(11,812)</b>                          |   |

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## ANALYSIS OF CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES

| Estimate<br>2018/19 |             |   | Estimate<br>2019/20 |             |
|---------------------|-------------|---|---------------------|-------------|
| To<br>£             | (From)<br>£ |   | To<br>£             | (From)<br>£ |
| 475,000             |             | Economic Regeneration Projects (pilot gain) |                     |             |
| 181,600             |             | Capital Programme                           | 181,600             |             |
| 16,900              |             | Community Parks & Open Spaces               | 16,900              |             |
| 10,000              |             | District Elections                          | 10,000              |             |
| 87,000              |             | Ferry major repairs & renewals              | 87,000              |             |
|                     | (641,084)   | New Homes Bonus                             |                     | (500,000)   |
| 20,800              |             | Pay & Display Equipment                     | 20,800              |             |
| 99,000              |             | Pension Fund Strain Payments                | 99,000              |             |
| 55,000              |             | Repairs and maintenance                     | 55,000              |             |
| 210,000             |             | Strategic Change Reserve                    | 60,000              |             |
| 0                   |             | Strategic Issues                            | 0                   |             |
| 490,000             |             | Vehicles & Plant Renewals                   | 550,000             |             |
| 50,000              |             | Land and Development Reserve                | 50,000              |             |
| 50,000              |             | IT Development Reserve                      | 50,000              |             |
| 25,000              |             | Sustainable Waste Management                | 25,000              |             |
| 50,000              |             | Planning Policy and Major Developments      | 75,000              |             |
| 2,000               |             | Interest credited to reserves               | 2,000               |             |
| 1,822,300           | (641,084)   | <b>TOTALS</b>                               | 1,282,300           | (500,000)   |
| <b>1,181,216</b>    |             | <b>GRAND TOTAL</b>                          | <b>782,300</b>      |             |

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### Briefing Note on CCLA Investment Options

#### Recommendation:

The views of the Joint Development Management Committee and the Overview and Scrutiny Panel are sought on :

1. Investing a further £2million from the Council's treasury management funds into the Local Authorities Property Fund (LAPF- investment of £1million) and its Diversified Income Fund (DIF – investment of £1 million ).

#### 1.0 Executive Summary

- 1.1 This report sets out the rationale for the recommendation of investing a further £2m into a combination of the CCLA DIF (£1m investment) and into the CCLA LAPF (£1m investment). The Council currently has £1m invested with the CCLA DIF and £0.5m with the CCLA LAPF.
- 1.2 Combined, these investments could generate an additional £60k pa in additional investment income, based on current interest rates. In the first year the entry costs to the fund would need to be absorbed so this benefit won't start be realised until the second year e.g. 2020/21 onwards.

#### 2.0 Background

##### **CCLA – Investment Services for Churches, Charities & Local Authorities**

- 2.1. A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. The Council's policy in the past (prior to 18/19), therefore, has been not to invest in these slightly more risky and less liquid forms of investment.
- 2.2. However, a variety of factors have meant the Council has reviewed that approach, e.g.:
  - (a) The perception of increased risk in bank deposits.
  - (b) A UK economy that could support a more positive outlook for other forms of investment.
  - (c) A challenging budget outlook that would benefit from the influx of additional investment income.
- 2.3. Officers have therefore considered a variety of different forms of investment. In 2018/19 Members approved an investment of £0.5m into the LAPF and £1m into the DIF fund. Officers have concluded that investment in to CCLA represents a balanced investment opportunity, splitting investment in to CCLA's two funds – the LAPF, which invests in UK Property and the DIF, which invests in global

distributed investments. The latter pays dividends earned from revenue income generated from cash, AAA or BBB short-dated bonds and diverse investments in things such as energy / renewables, aircraft leasing, student accommodation, care homes, and some property.

#### 2.4. **LAPF**

The CCLA (Churches, Charities and Local Authorities) Local Authority Property Fund has been specifically set up for local authorities, and currently has investments of over £1,048 million, with over 234 local authority investors including county councils, metropolitan councils/London boroughs and over 40 unitary and district councils. Devon County Council, Plymouth City Council, West Devon Borough Council and four Devon town councils are invested in the Fund as well as South Hams. The fund own and operate 71 commercial properties across the UK, across various sectors with many having blue-chip tenants. By further investing in this fund, SHDC would be able to further diversify its risk exposure across the UK and multiple property types and sectors, generating a yield (4.27% over last quarter) significantly higher than that generated by current treasury management investments, which averaged around 1%.

- 2.5. The income yield over the course of the investment is likely be around 4-5%, significantly above the rates available for term deposits with banks. The income yield will vary from year to year, but tends to be within a fairly narrow range.
- 2.6. However, there are risks that should not be discounted. The capital value of property can go down as well as up, and therefore the capital redeemed at the end of the investment could be less than the sum initially invested. There are also charges that would need to be met; there is a bid offer spread of 8.3%, so the initial value of the fund will be lower than the initial amount invested. The Annual Management Charge is 0.65% of the net asset value of the Fund and is charged against income before any income distribution is made. These factors combined mean that any investment needs to be held for a minimum of 4 to 5 years ideally, and capital growth would need to be around 2% per year to ensure that the capital redeemed at the end of the investment is at least equal to the initial amount invested. The investment can be redeemed at any time, but it may take 3 to 4 months from the time that the redemption request was made for CCLA to liquidate sufficient holdings in order to return the funds.
- 2.7 It should be noted that the charges above are similar to those that the Council would incur if it were to buy residential property. Stamp duty on an investment property is 5%, whilst agents fees on disposal, legal fees on acquisition and disposal and ongoing management fees for the property would equate (or even exceed) the above costs. The annual management charge of 0.65% is lower than most typical investment bonds / pension funds, which typically charge circa 0.75% as an annual fee.

- 2.8. Appendix G shows a CCLA LAPF Fact Sheet. Further details about CCLA can be found at [www.ccla.co.uk](http://www.ccla.co.uk) Investments into this fund do not count as capital expenditure and dividends are treated as revenue income. The Council could further invest and then sell at a later date and this means not only does the Council obtain regular returns (Paid quarterly), it also has the potential to benefit from an increase in “capital” value.
- 2.9. **DIF**  
The DIF is a newer fund and is available to a wider pool of investors (whereas the LAPF is only available to Local Authorities). It was launched in late 2016 and so far has £76m in managed funds. There are 28 Local Authority investors.
- 2.10 The minimum investment is £1m and on average the fund has generated a dividend yield, after management costs of 3%.
- 2.11 The lower return is due to the inherent lower risk appetite of the fund, with strict rules in place to ensure that at any time ,the maximum exposure to equities is 40%. Due to the nature of the investors, Churches, Charities & Local Authorities, all investments are closely scrutinised to ensure no investor would be embarrassed by inappropriate acquisitions or investments. The fund place a significant proportion of its managed funds in short dated bonds and cash instruments, meaning that withdrawals from the scheme are more liquid than the LAPF fund. With this in mind, the bid/offer spread is far lower, at 0.44%.
- 2.12 Like the LAPF, the scheme accepts revenue investments and on exit, revenue will be returned to the local authority. All dividends are paid as revenue income. This is one of the fundamental reasons why further investment in the CCLA is being proposed, and why CCLA is popular with Local Authorities as an investment opportunity.
- 2.13 Each £1m investment would generate annual returns of c£30k based on the current 3% yield, after the initial cost of acquisition. Appendix H shows a CCLA DIF Brochure. Further details about CCLA can be found at [www.ccla.co.uk](http://www.ccla.co.uk)
- 3.0 **Options available and consideration of risk**
- 3.1. Members could opt to follow the recommendation or invest a higher or lower sum. Alternatively, Members could opt to pursue an alternative investment strategy. Investment into the LAPF should only be considered if the investment can be maintained for a medium – long term, i.e. 4 to 5 years. If the investment needs to be liquidated before that timeframe, it is highly possible that the sum returned would be less than the sum originally invested.
- 3.2. The DIF is not subject to the same bid/offer spread and therefore is more liquid as the LAPF and therefore this investment will be easier to liquidate if the Council choose to divest. Based on this difference and taking a balanced risk approach, it is recommended that Members agree to invest a further £1m into the DIF (averaging 3% dividend yield pa) and a further £1m into the LAPF (averaging a 4 to 5% dividend yield). Assuming dividend rates stay roughly stable, investing at these sums would generate an additional £60k pa for the Council.

- 3.3. The DIF itself is inherently more liquid than the LAPF as it reflects the underlying assets not being solely invested in property, there are established markets for equities and bonds.
- 3.4. In the Members' Budget Survey, 67% supported further investment in the CCLA.

#### 4.0 Implications

| Implications         | Relevant to proposals<br>Y/N | Details and proposed measures to address  |
|----------------------|------------------------------|---|
| Legal/<br>Governance | Y                            | <p>The Treasury Management Strategy Statement (TMSS) for 2018/19, set out the Council's investment priorities as being:</p> <ul style="list-style-type: none"> <li>• Security of capital;</li> <li>• Liquidity; and</li> <li>• Yield.</li> </ul> <p>The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.</p> <p>In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.</p> <p>The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating are required together with a limit of £3m per counterparty.</p> <p>Agreeing to invest in the CCLA fund requires Council approval.</p> |
| Financial            | Y                            | <p>A further investment in to CCLA will represent an increased risk of loss of capital in comparison to the use of term deposits with banks and building societies.</p> <p>Such an investment has the potential to provide a significant increase in investment income that could contribute towards the predicted budget gaps highlighted in the Medium Term Financial Strategy.</p>   |

|   |   |  |
|---|---|--|
|   |   | <p>From 2023/24, if there is a downward valuation in the CCLA investment, the decrease would be an expense to the Income and Expenditure Account of the Council, as the Available for Sale Reserve is not available, due to a change in the Accounting Code of Practice. This could be significant, for example a 10% drop in the valuation of the £2 million investment at the year end would mean a charge to the Income and Expenditure Account of £200,000 in that year. Therefore this would affect the 'bottom line' of the Council adversely by £200,000</p> <p>Up until 5 years time, fair value movements will not have an impact on the revenue 'bottom line', due to a Government statutory reversal.</p> |
| Risk  | Y | <p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements.</p>  |
| <b>Comprehensive Impact Assessment Implications</b> |   |  |
| Equality and Diversity                              | N | N/A  |
| Safeguarding  | N | N/A  |
| Community Safety, Crime and Disorder                | N | N/A  |
| Health, Safety and Wellbeing                        | N | N/A  |
| Other implications                                  | N | N/A  |

### **Supporting Information**

#### **Appendices:**

Appendix G – CCLA LAPF Fund Fact Sheet

Appendix H – CCLA DIF Fact Sheet

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# The Local Authorities' Property Fund

## Fund Fact Sheet – 30 September 2018

### Investment objective

The Fund aims to provide investors with a high level of income and long-term capital appreciation.

### Investment policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

### Suitability

The Fund is suitable for the long-term funds of any local authority seeking exposure to UK commercial property.

### Independent Governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

### Who can invest?

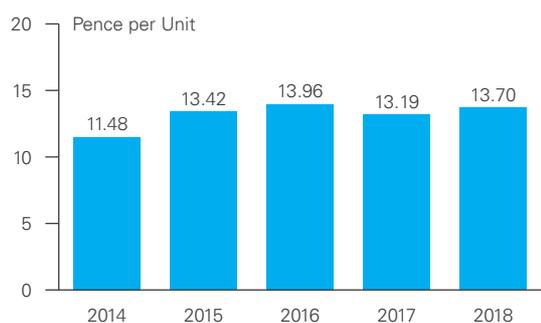
Any local authority in England, Wales, Scotland and Northern Ireland.

### Income

|  |        |
|--|--------|
| Gross dividend yield                   | 4.27%* |
| AREF/IPD™ Other Balanced Property Fund |        |
| Index yield                            | 3.52%  |
| Official Bank Rate                     | 0.75%  |

\* Based upon the net asset value and historic gross annual dividend of 12.9575p. Distribution for the most recent quarter has been estimated.

### Rolling 12 month distributions to 31st March:



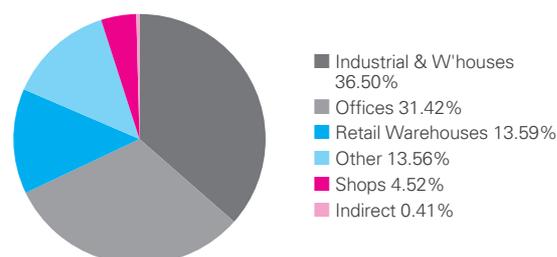
### Fund update

The prime focus of our investment strategy is on asset selection and management. We try to identify assets which, through active management, can make a significant contribution to total returns and to the income payment to investors. We also bias the sub-sector weightings to reflect our view of their relative attractiveness. At present, this means a relatively high weighting to industrial and office assets and a relatively low weighting to retail, with no shopping centre or supermarket holdings.

The Fund continued to receive capital inflows over the period. Six assets were acquired, a portfolio of four car dealerships in greater London, two industrial sites in Peterborough and a multi-let industrial estate in Enfield. Total purchase costs were £88m, expenditure which takes the Fund to a fully invested position. No sales were completed but disposals are progressing and are likely to complete before the end of the year. Near term, the void rate is likely to edge higher to 8.8%, but new lettings currently being progressed should bring the total down in the fourth quarter.

The Fund is not materially affected by the current spate of store closures and CVA issuance. Similarly, exposure to standard retail units is low at 2.6%, excluding outlets associated with central London office buildings.

### Asset allocation at 30 September 2018



The Fund has credit facilities which, at quarter end, were not utilised.

## Discrete year total return performance (net)

|                                       |        |        |        |         |         |
|---------------------------------------|--------|--------|--------|---------|---------|
| 12 months to 30 September             | 2018   | 2017   | 2016   | 2015    | 2014    |
| The Local Authorities' Property Fund† | +7.61% | +9.36% | +2.93% | +15.25% | +20.23% |
| Benchmark                             | +9.47% | +9.47% | +4.31% | +14.78% | +17.27% |

## Annualised total return performance (net)

|                                       |        |         |         |
|---------------------------------------|--------|---------|---------|
| Performance to 30 September 2018      | 1 year | 3 years | 5 years |
| The Local Authorities' Property Fund† | +7.61% | +6.60%  | +10.91% |
| Benchmark                             | +9.47% | +7.72%  | +10.97% |

Benchmark – AREF/IPD™ Other Balanced Property Fund Index. Net performance shown after management fees and other expenses. Past performance is no guarantee of future returns. †Distribution for the most recent quarter has been estimated. Source: CCLA

## Top ten property holdings – total 35.25%

|                                 |                                |
|---------------------------------|--------------------------------|
| London, Kingsway                | Leeds, Park Row                |
| London, Goodman's Yard          | Bristol, Gallagher Retail Park |
| London, Stockley Park, Longwalk | Bracknell, The Arena           |
| Elstree, Centennial Park        | Coventry, Torrington Avenue    |
| London, Beckton Retail Park     | Brighton, West Street          |

## Key facts

|                    |        |
|--------------------|--------|
| Total fund size    | £1048m |
| Current borrowing  | £0m    |
| Number of holdings | 71     |

### Income units

|   |                                    |
|---|------------------------------------|
| Offer (buying) price                              | 324.17p (xd)                       |
| Net asset value                                   | 303.67p (xd)                       |
| Bid (selling) price                               | 298.97p (xd)                       |
| Launch date                                       | 18 April 1972                      |
| Unit types  | Income                             |
| Minimum initial investment                        | £25,000                            |
| Minimum subsequent investment                     | £10,000                            |
| Dealing day                                       | Month end valuation day*           |
| Sedol & ISIN numbers                              | 0521664, GB0005216642              |
| Dividend payment dates                            | End January, April, July & October |
| Annual management charge (taken 100% from income) | 0.65%                              |

\* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a bank holiday, the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

Tax reclaims should be addressed to: Glynis Free, Specialist Repayment Team 7 South, Ty - Glas, Cardiff, CF14 8HR.  
Telephone 03000 580618, 9.30am - 1pm.

## Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

## Disclosure

Investment in the Fund is for Eligible Local Authorities only. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investments in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. CCLA Fund Managers Limited (registered in England No. 8735639 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund. For information about how we obtain and use your personal data please see our Privacy Notice at <https://www.ccla.co.uk/our-policies/data-protection-privacy-notice>.

# Diversified Income Fund Unit Class 2 - For local authorities and public sector organisations

Fact Sheet – 30 September 2018

## Investment objective

To provide a balanced return from income and capital growth over time from a portfolio structured to control relative risk.

## Investment policy

The portfolio will be actively managed and may invest in a wide range of potential assets. The control of relative risk will be an important influence on structure and strategy.

## Suitability

The Fund is suitable for long term investors seeking a balanced return of income and capital growth for whom control of relative risk is important.

## Who can invest?

Any local authority and public sector investor in England, Wales, Scotland and Northern Ireland. Investors should note that there is a minimum investment in the Fund of £1million.

## Responsible investment policy

Information about the ethical and responsible policies to be followed by the Diversified Income Fund is available from the Investment Manager's website [www.ccla.co.uk](http://www.ccla.co.uk).

## Income

The Fund distributes income on a quarterly basis. As at 30 September 2018 the dividend yield on price was 3.09%. This is based on the last 12 months' dividend of 4.65p.

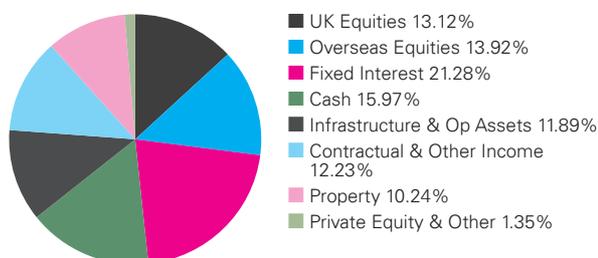
## Fund update

The Fund is actively managed and has a diversified portfolio invested in a range of good-quality assets.

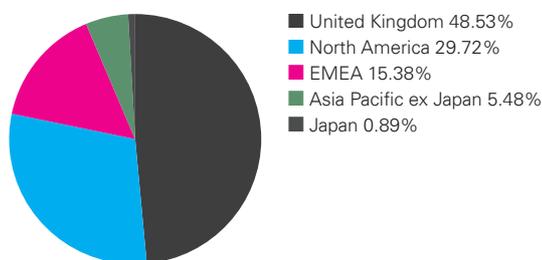
The fixed interest exposure is below that of the benchmark and the maturity profile is noticeably shorter, a reflection of our cautious view of sector prospects.

The equity holdings have a substantial international exposure, evident from the proportion invested directly in overseas companies and a bias in the domestic portfolio to companies with a strong international business footprint. The portfolio has a high allocation to non-traditional assets, including infrastructure, specialist property and leasing. These provide an important contribution to the Fund's income and help control portfolio risk by improving diversification. Recent activity has included reducing the equity allocation by partial sales of a number of issues, where recent price strength had seen them rise to a full valuation. We also added to the holding in short-dated US Treasury bonds. We view these assets as an attractive alternative to domestic cash.

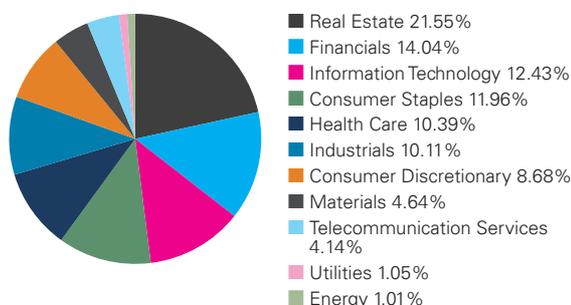
## Asset allocation at 30 September 2018



## Equity portfolio geographical breakdown at 30 September 2018



## Equity portfolio sector breakdown at 30 September 2018



## Discrete year total return performance (gross)

|  |        |
|--|--------|
| 12 months to 30 September              | 2018   |
| Diversified Income Fund - Unit Class 2 | +4.40% |
| Comparator                             | +3.58% |

Comparator – composite: from 24.03.17 MSCI UK IMI 20%, MSCI North America 6.67%, MSCI Europe ex UK 6.67%, MSCI Pacific 6.67%, Market iBoxx £ Gilts 30% & Market iBoxx £ Non-Gilts 30%. Source: CCLA. Past performance is not a reliable indicator of future results.

## Most overweight companies relative to equity indices at 30 September 2018

|                       |       |                             |       |
|-----------------------|-------|-----------------------------|-------|
| F&C UK Real Estate    | 5.67% | Taiwan Semiconductor        | 1.52% |
| Pfizer                | 2.01% | Stryker Corp                | 1.43% |
| HKT Trust and HKT Ltd | 1.93% | Nasdaq Inc                  | 1.43% |
| Microsoft             | 1.71% | Fidelity National Info Serv | 1.42% |
| McDonald's Corp       | 1.69% | Nestle Sa-Reg               | 1.42% |

## Key facts

|  |                                      |
|--|--------------------------------------|
| Fund size  | £129m                                |
| Number of holdings                                 | 179                                  |
| Price  | £1.51                                |
| Fund launch date                                   | 2 December 2016                      |
| Unit Class 2 launch date                           | 24 March 2017                        |
| Minimum initial investment                         | £1m                                  |
| Minimum subsequent investment                      | £25,000                              |
| Dealing  | Daily*                               |
| Sedol number                                       | BDS68Q2                              |
| ISIN number  | GB00BDS68Q24                         |
| Dividend payment dates                             | End February, May, August & November |
| Annual management charge (taken 100% from capital) | 0.60%                                |

\*The Dealing Deadline is normally 12 noon London time on a Dealing Day. The Valuation Point is normally 3pm on a Dealing Day.

## Risk Warning

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## Disclosures

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## **NOT FOR PUBLICATION**

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (applies to Appendix B)

Report to: **Joint Development Management Committee and Overview & Scrutiny Panel**

Date: **24 January 2019**

Title: **Capital Budget Proposals for 2019/20**

Portfolio Area: **Budget Proposals – Cllr Tucker**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

Author: **Lisa Buckle** Role: **Strategic Finance Lead (S151 Officer)**

Contact: **Tel. 01803 861413**  
**Email: [lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk)**

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### **Recommendations:**

**The views of the Joint Development Management Committee and Overview and Scrutiny Panel are sought on the following:**

- 1. The content of the Capital Programme Proposals for 2019/20, which total £1,290,000 (Appendix A)**
- 2. The content of the Capital Programme Proposals for 2019/20, which total £14,001,000 (Exempt Appendix B)**
- 3. The proposed financing of the 2019/20 Capital Programme of £15,291,000 from the funding sources set out in Section 4.**

## **1. Executive summary**

**1.1** The report sets out the Capital Bids to the 2019/20 Capital Programme totalling £15,291,000 and a suggested way that these Bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.

**1.2** The Council has limited resources, in the form of capital receipts, to fund Capital Projects in 2019/20.

Consideration needs to be given to the funding options for the 2019/20 Capital Programme. The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.

**1.3** The Prudential Code for capital, which came into effect from 1<sup>st</sup> April 2004, replaced the previous Government regulated limits on capital expenditure and borrowing. In its place Councils now have the power to determine their own appropriate levels of capital expenditure and borrowing for capital purposes, based on the principles of affordability, prudence and sustainability.

**1.4** The Code requires the Council, in setting its capital spending plans, to assess the impact on its revenue account and council tax levels. Section 4 demonstrates that there are sufficient capital funds (which includes PWLB borrowing mainly for commercial acquisitions) in 2019/20 to fund the bids which have been submitted by project officers within the Council.

## **2. Background**

**2.1** The capital programme for 2018/19 was approved by Council on 22 February 2017 (62/17 and E.46/17 refer).

**2.2** A new Capital Programme is proposed for 2019/20. The Head of Finance Practice invited bids for capital funding from all service areas, for a new capital programme during July 2018 on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids received would be ranked against a prescribed priority criteria set out in the bid process.

**2.3** The submitted capital bids have now been assessed against the categories in each priority. Priority I categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, DDA etc) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council’s aims and objectives.

**2.4** The programme outlines the principles of the projects proposed for capital expenditure and includes an estimate of predicted costs including fees. All projects will be subject to project appraisals as required under the Council’s Asset Strategy.

**3. Outcomes/outputs**

Members are requested to give their views on the proposals for the Capital Programme for 2019/20. Appendix A and exempt Appendix B set out the bids which total £15,291,000.

**3.1 Capital Programme 2019/20**

**3.2 Play Parks – replacement of play equipment**

Due to slippage in the 2017/18 budget nothing was approved for 2018/19. Spend of these funds was set back a year while options for asset transfers of play parks were discussed with Town and Parish Councils.

The capital budget of £190,000 is required in 2019/20 with tenders being sought for play parks work early in 2019. A priority and outline investment list of approximately 25 play areas has been agreed by the Public Spaces Working Group. 2019/20 will now be year 2 of a three year programme as shown below:

Capital budget for Play Parks (2017/2018 approved, 2019/20 and 2020/21 budget to be confirmed)

| <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>Total</b>    |
|----------------|----------------|----------------|----------------|-----------------|
| £190,000       | Nil            | £190,000       | £140,000       | <b>£520,000</b> |

### **3.3 Follaton House – roof repairs**

The proposed capital programme includes a contribution of £50,000 per annum into a reserve for Follaton House roof repairs. Roofing repairs are required on the Old House which includes the localised replacement of defective slate and lead valleys. Defective guttering on Phases 1, 2 and 3 also needs replacing.

### **3.4 Coastal Assets repairs - 5 year planned programme**

The financial year 2019/20 is the fifth year (of a 5 year programme) of an allocation of £300,000 per annum for the planned programme for Coastal Assets repairs.

### **3.5 Private Sector Renewals (including Disabled Facilities Grants)**

This budget is used to fund Private Sector Renewals, primarily Disabled Facilities Grants (DFG's). DFG's are mandatory, means tested and enable people to live independently within their own home. Adaptations range from simple stair lifts and Level Access Showers through to full extensions. The budget of £700,000 will be funded from the Better Care Fund (Government Grant). The demand for DFG's is not under our control and cannot be predicted at this stage.

### **3.6 Follaton House – Replacement Lifts**

The proposed capital programme includes a contribution of £30,000 per annum into a reserve for replacing lifts at Follaton House.

There are two lifts which are maintained under contract and regularly serviced. They are increasingly requiring repair and lift engineers have advised that parts are becoming increasingly obsolete. Replacements will be required in the next few years.

### **3.7 Depot Improvements**

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. Council resolved to approve borrowing for the capital costs of depot improvements.

### **3.8 Waste Fleet Replacement**

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. Council resolved to approve an increase of £60,000 in the contribution to the Vehicle Earmarked Reserve in 2019/20 (C.41/18 refers). This increases the contribution per year from £490,000 to £550,000.

### **3.9 Ermington New Units**

A capital budget for the provision of new units at Ermington was approved in 2018/19 with a proposal for additional funds in 2019/20. Tenders have been received and work is due to commence during 2019.

### **3.10 Improvement of the existing units at Ermington**

A capital budget was approved for improvements to existing units at Ermington in the 2018/19 capital budget with a proposal for additional funds in the 2019/20 capital budget.

The architect is midway through the commission to ascertain the best solution for the upper floors of the Mill building. Early indications are that it should be possible to bring all the building back into commercial use. The report is expected towards the end of February 2019. The tender process would then follow, with works anticipated in September.

### **3.11 New Sub Lift at Salcombe**

The 2018/19 capital budget included a contribution into a reserve towards the purchase of a new sub lift. The proposed capital programme includes a further contribution in 2019/20 as well as a proposal for a contribution in 2020/21.

### **3.12 New Entrance, Batson Creek Car Park**

A capital budget is required to deliver ancillary car park upgrades to Batson Creek Car Park. This relates to alteration of the car park entrance and spaces layout such that any development within the car park footprint does not result in any loss of capacity. There will also be a requirement to create space for the recycling facilities at Batson through the creation of a hard standing area adjacent to the existing site. This is linked to the construction of the Employment Units and the Trailer Park.

### **3.13 Car Park Resurfacing**

Officers have identified a number of car parks across the District which are in need of resurfacing. The proposed capital budget includes a provision for this purpose.

### **3.14 South Devon Tennis Centre, Ivybridge**

Under the existing lease, the Council is required to fund works to replace the tennis courts at the South Devon Tennis Centre in Ivybridge. This was last carried out 10 years ago and a LTA Court Inspection has now highlighted the need to carry out such works in 2019. A proposal has been put forward for the 2019/20 capital programme.

### **3.15 Commercial Development Opportunities**

Details of commercial development opportunities within the district are included in exempt Appendix B. A Report and Briefing Note presented to Executive on 13th December gave more information (E.62/18 refers).

### **3.16 Affordable Housing**

No capital budget has been requested for 2019/20 to support affordable housing. The breakdown of money available through s106 contributions, second homes monies and the community housing fund means that further sums are not requested at this time.

Officers would like to caveat this on the proviso that should unplanned, additional schemes require finance from the Capital Programme, that Members would consider this on a case by case basis at a future date.

### **3.17 Contingency**

It is proposed that a contingency budget of £50,000 be included in the capital programme. This has been included to allow for variations on tendered prices to the estimates provided in the programme, where emergency works are required on assets not currently included in the programme or where additional external resources are required to deliver the programme. Use of this contingency budget will be subject to the Council's existing processes for the expenditure of capital funds.

#### 4 FINANCING THE CAPITAL PROGRAMME

**4.1** Capital bids shown in Appendix A total £1,290,000 with the total of bids in exempt Appendix B being £14,001,000. Funding of £15,291,000 is therefore required. The table below shows the recommended way that these projects are financed:-

|  |                               |
|--|-------------------------------|
| <b>Capital Programme 2019/20</b><br><i>Appendix A (£1,290,000) and</i><br><i>Appendix B bids (£14,001,000)</i>   | <b>£</b><br><b>15,291,000</b> |
| <b>Funded By:</b>  |                               |
| Capital Programme Reserve<br>(See Note 1 below – this includes the 19/20 allocation of £181,600 plus previous funds unallocated)   | 220,000                       |
| Community Parks & Open Spaces Reserve (South Devon Tennis Centre)  | 65,000                        |
| Vehicle & Plant Renewals Reserve*  | 550,000                       |
| Business Rate Retention Reserve  | 1,500,000                     |
| Capital Receipts   | 960,000                       |
| Better Care Grant funding towards Disabled Facilities Grants (estimated)   | 700,000                       |
| New Homes Bonus  | 690,000                       |
| Borrowing – Waste and Cleansing Procurement*   | 740,000                       |
| Borrowing – development opportunities (this is a proportion of the total PWLB borrowing for the projects shown within the South Hams Commercial Developments report and relates to the capital expenditure in the 19/20 year only) | 9,866,000                     |
| <b>TOTAL</b>   | <b>15,291,000</b>             |

\* This funding has already been approved by Council on 6<sup>th</sup> December 2018 as part of the report on Frontline Services (Waste and Cleansing Procurement)

Note 1 – The current proposed funding of the Capital Programme includes the Council continuing to make a revenue contribution to the Capital Programme Reserve in 2019/20 of £181,600.

## 5. IMPLICATIONS

| Implications         | Relevant to proposals Y/N | Details and proposed measures to address  |
|----------------------|---------------------------|---|
| Legal/<br>Governance | Y                         | <p>The Executive is responsible for control of the Council's capital expenditure. The Head of Finance and Assets Practices are responsible for providing Capital Monitoring reports to the Executive, detailing the latest position of the Council's Capital Programme. Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from the Executive.</p> <p>Since there is commercially sensitive information in Appendix B, regarding the budgets for individual projects, there are grounds for the publication of this Appendix to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in the Appendix. Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p> |
| Financial            | Y                         | <p>The report sets out the Capital Bids to the 2019/20 Capital Programme totalling £15,291,000 and a suggested way that these bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.</p> <p>Section 4 demonstrates that there are sufficient capital funds (which includes PWLB borrowing mainly for commercial acquisitions) in 2019/20 to fund the bids which have been submitted by project officers within the Council.</p>   |

|   |   |   |
|---|---|---|
| Risk  | Y | <p>There is a risk that the Capital Programme does not meet the Council's strategic priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities. The mitigation is that there is a project appraisal for each proposal.</p> <p>This is taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period. The Council demonstrates that capital investment contributes to strategic priorities, provides value for money and takes account of the revenue implications of the investment. Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.</p> <p>There is regular quarterly monitoring of the Capital Programme to Members where any cost overruns are identified at an early stage</p> |
| <b>Comprehensive Impact Assessment Implications</b> |   |   |
| Equality and Diversity                              |   | None directly arising from this report.   |
| Safeguarding  |   | None directly arising from this report.   |
| Community Safety, Crime and Disorder                |   | None directly arising from this report.   |
| Health, Safety and Wellbeing                        |   | None directly arising from this report.   |
| Other implications                                  |   | None directly arising from this report.   |

### Supporting Information

#### Appendices:

Appendix A – Summary of Capital Bids for 2019/2020

EXEMPT - Appendix B – Summary of exempt Capital Bids for 2019/2020 (table)

#### Background papers

Capital Programme for 2018/19 - Council 22 February 2018 (62/17 and E.46/17 refer).

Commercial Development Opportunities – Executive 13 December 2018 (E.61/18 refers)

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Appendix A

| Proposed Capital Projects 2019/20 - 2021/22 - PART I  |                             |  |  |                        |                        |                        |                       |
|---|-----------------------------|--|--|------------------------|------------------------|------------------------|-----------------------|
| Priority Criteria                                     |                             |  |  |                        |                        |                        |                       |
| Statutory Obligations                                 | 1                           |  | Compliance, H&S, DDA                                   |                        |                        |                        |                       |
|   | 2                           |  | Essential to keep Operational Assets open              |                        |                        |                        |                       |
| Good Asset Management                                 | 3                           |  | Rationalise service delivery or service improvement    |                        |                        |                        |                       |
|   | 4                           |  | Generate income, capital value or reduce revenue costs |                        |                        |                        |                       |
| Service   | Site                        | Project  | Lead officer   | Proposed 2019/20 £'000 | Proposed 2020/21 £'000 | Proposed 2021/22 £'000 | Priority code / notes |
|   | Play Parks                  | Replacement equipment  | RS   | 190                    | 140                    |                        | 1,2                   |
| HQ  | Follaton House              | Refurbishment of roof to old house and replacement guttering | ST   | 50                     | 50                     | 50                     | 1,2                   |
| Engineering   | SHDC Coastal Assets Repairs | 5 year planned programme based on marine survey              | CB   | 300                    |                        |                        | 1                     |
| Public Sector Renewals (inc Disabled Facility Grants) |                             |  | IL   | 700                    |                        |                        | 1                     |
| <b>Sub Total</b>                                      |                             |  |  | <b>1,240</b>           | <b>190</b>             | <b>50</b>              |                       |
| <b>Contingency</b>                                    |                             |  |  | <b>50</b>              | <b>150</b>             | <b>150</b>             |                       |
| <b>Totals</b>   |                             |  |  | <b>1,290</b>           | <b>340</b>             | <b>200</b>             |                       |

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