

West Devon Hub Committee



West Devon
Borough
Council

Title:	Agenda								
Date:	Tuesday, 20th September, 2016								
Time:	2.00 pm								
Venue:	Chamber - Kilworthy Park								
Full Members:	<p style="text-align: center;">Chairman Cllr Sanders Vice Chairman Cllr Baldwin</p> <p><i>Members:</i></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Cllr Benson</td> <td>Cllr Parker</td> </tr> <tr> <td>Cllr Edmonds</td> <td>Cllr Sampson</td> </tr> <tr> <td>Cllr Moody</td> <td>Cllr Samuel</td> </tr> <tr> <td>Cllr Oxborough</td> <td></td> </tr> </table>	Cllr Benson	Cllr Parker	Cllr Edmonds	Cllr Sampson	Cllr Moody	Cllr Samuel	Cllr Oxborough	
Cllr Benson	Cllr Parker								
Cllr Edmonds	Cllr Sampson								
Cllr Moody	Cllr Samuel								
Cllr Oxborough									
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.								
Committee administrator:	Member.Services@swdevon.gov.uk								

1. Apologies for absence

2. 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.

If Councillors have any questions relating to predetermination, bias or interests in items on this Agenda, then please contact the Monitoring Officer in advance of the meeting.

3. Items Requiring Urgent Attention

To consider those items which, in the opinion of the Chairman, should be considered by the Meeting as matters of urgency (if any)

4. Confirmation of Minutes 1 - 6

Minutes of meeting held 12 July 2016 (previously circulated)

5. Medium Term Financial Strategy (Cllr Edmonds) 7 - 48

6. Write Off Report (Cllr Edmonds) 49 - 58

7. Reports of Other Bodies: 59 - 64

- a) Overview and Scrutiny (Internal Committee) – 19 July 2016
- b) Overview and Scrutiny (External Committee) – 2 August 2016 (to follow)

PART TWO ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PUBLIC AND PRESS ON THE GROUNDS THAT EXEMPT INFORMATION IS LIKELY TO BE DISCLOSED

The Committee is therefore recommended to pass the following resolution:

“RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the Meeting on the grounds that exempt information may be disclosed as defined in the paragraphs given in Part 3 of Schedule 12A to the Act.”

8. Commercial Development (Cllr Benson)

65 - 82

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Agenda Item 4

At a Meeting of the **HUB COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **12th** day of **JULY, 2016** at **2.00pm**

Present:

Cllr P R Sanders – Chairman
Cllr R E Baldwin – Vice-Chairman

Cllr M J R Benson	Cllr C Edmonds
Cllr J B Moody	Cllr R J Oxborough
Cllr G Parker	Cllr R F D Sampson
Cllr L Samuel	

In attendance:

Executive Director (Strategy and Commissioning)
Executive Director (Service Delivery and Commercial Development)
Group Manager Support Services
Group Manager Commercial Services
Group Manager Business Development
S151 Officer
Solicitor
Senior Case Manager

Anthony Dunne – PWC Representative
Peter Donson – PWC Representative

Other Members in attendance:

Cllrs Cheadle, Leech, Moyse, Musgrave, Pearce, Sellis, Sheldon and Stephens

***HC 08**

DECLARATIONS OF INTEREST

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

***HC 09**

MINUTES

The Minutes of the Hub Committee Meeting held on 7 June 2016 were confirmed and signed by the Chairman as a correct record.

HC 10

ANNUAL REPORT

The Leader introduced a report that asked Members to consider the Annual Report (as presented in Appendix A of the published agenda) and to make any recommendations to Council prior to publication.

Members noted one or two minor amendments and were advised that a final version would be available in time for the full Council meeting on 26 July 2016. During discussion, the Executive Director (Strategy and Commissioning) confirmed that the Annual Report would be disseminated to the public through being published on the website, and circulated to town and parish councils.

It was then **RESOLVED** that Council be **RECOMMENDED** that there were no further comments on the content of the Annual Report and it should therefore be published accordingly.

***HC 11**

T18 BUDGET MONITORING REPORT – TO END MARCH 2016

The Leader presented a report that set out the revenue position of the T18 Programme at the end of March 2016.

The Group Manager Support Services advised the Committee that a business case would be presented to the Council's Senior Leadership Team this week to work with our existing web provider to upgrade the website to a cloud based service. This work would be managed within the existing budget and a plan was in place to migrate services to the new website using a phased approach. He also advised that the Civica planning portal now had a bulk download facility and urged Members to test this out. The Leader asked that Members be advised when this facility was live.

Finally, Members were advised that in ongoing discussions with Civica, they had reiterated their commitment to drive the product forward.

It was then **RESOLVED** that progress to date on the T18 Transformation Programme be noted.

HC 12

HEART OF THE SOUTH WEST FORMAL DEVOLUTION BID – COMBINED AUTHORITY PRINCIPLE

The Leader presented a report that sought approval to sign up 'in principle' to the pursuit of a Devolution Deal and the creation of a Combined Authority for the Heart of the South West sub-region to administer the powers and funding devolved through the Deal.

During discussion, the following points were raised:

- All of the original organisations were still signed up to the Heart of the South West Bid, and dialogue with the current Secretary of State was positive. He had indicated that he hoped to make an announcement in the autumn statement;
- There was no real appetite amongst Members for an elected Mayor, but there was recognition that this could affect the level of devolution and associated funding;
- A governance review was ongoing and so far it appeared that a Committee structure would be favoured for a Combined Authority;
- If one of the organisations decided to withdraw from the Bid, it may not prevent the Bid going forward, but that organisation would not have access to the funding streams that would be available to Bid partners. The Bid would need to be cost neutral, and no money would be available to cover existing services. However, funding would be available for new projects that previously had been delivered by central government;

- One of the themes within the Prospectus document focussed on business growth, but there was no evidence of how this information had been collected. The Executive Director (S&C) advised that discussions had been held with Chambers of Commerce and the Federation of Small Businesses, and Devon County Council had undertaken an analysis of local economy.

It was then **RESOLVED** that Council be **RECOMMENDED** to:

1. Endorse the Leader's current approach to devolution and agree to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area; and
2. Note that giving this endorsement does not commit the Council to entering into a Devolution deal or becoming a member of a Heart of the South West Combined Authority. This would be subject to future debate and agreement by the Council and subject to negotiations with Government.

HC 13

LOCAL AUTHORITY CONTROLLED COMPANY BUSINESS CASE

The Leader presented a report that set out and commented on the findings of a detailed business case which had been prepared by PricewaterhouseCoopers (PWC) at the request of Members into the merits of establishing a local Authority Controlled Company (LACC). The preparation of the business case followed the Council's decision on 16th February 2016 to establish a LACC subject to the further approval of a detailed business case and implementation plan. In introducing the report, the Leader affirmed that Members must make a decision based on what was best for West Devon Borough Council.

He then introduced the representatives from PWC. Following the introduction, Members asked a number of detailed questions to the representatives from PWC, the Council Solicitor and the Executive Directors. The questions covered a range of issues such as the history of trading powers for local authorities, the impact of waste management services being transferred into the LACC, the estimated cost of additional work to progress the implementation of the LACC, how some questions could not be answered until the LACC had been set up, how the savings were calculated, how the value of the potential market had been evaluated, governance and the capacity of managers to take this forward.

During discussion, the following points were raised:

- One Member raised a combination of concerns over set up costs, payback period, estimated operational costs, the difficulty of identifying the potential market and the projected level of profit. He **PROPOSED** an amendment to the first recommendation that the decision to

proceed with setting up a LACC be deferred. This amendment was **SECONDED** but subsequently **LOST**, as Members felt the proposal should be recommended to full Council to enable all Members to have the opportunity to debate the proposal at that meeting;

- Whilst some Members agreed that a LACC model relying was the right way forward, they also agreed that a market analysis was essential to provide them with further information in advance of making a decision at the full Council meeting on 26 July. The Group Manager Commercial Services advised of an Informal Market Analysis Member Working Group that had been set up at South Hams District Council and invited West Devon Members to attend future meetings;
- Some Members were positive about the proposal and felt that the Council should continue on this journey, although there were comments made that they did not feel they had sufficient information.

It was then **RESOLVED** that Council be **RECOMMENDED**:

1. To proceed with the implementation of a Local Authority Controlled Company (LACC) jointly owned with South Hams District Council to commence trading on 1st April 2017, subject to there being a satisfactory outcome to the outstanding pension, tax and governance questions and actions as set out in paragraph 5.4 of the presented agenda report and market intelligence;
2. That a Joint Steering Group (JSG) is established to deal with matters concerning the implementation of the LACC as detailed in paragraph 5.5 of the presented agenda report and terms of reference (as presented at Appendix B) be revised in light of Members' comments;
3. That, Subject to approval of recommendation 1 above, the Council enters into an external Waste Management arrangement; this arrangement will be subject to full affordability assessment, risk analysis and in compliance with Public Contract Regulations 2015, for a 2 year period with a view to waste services transferring to the LACC at the end of the 2 year period;
4. That the Council proceeds to acquire the fleet required to satisfy the West Devon Waste specification as set out in Appendix D of the presented agenda report. If purchased, as opposed to leased, the cost of the fleet is to be financed through borrowing;
5. That the Council approves the use of up to £127,500 of the 2016/17 budget surplus Earmarked Reserve for the set-up costs of the LACC as detailed in paragraph 5.8 of the presented agenda report.

(Resolved that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting on the grounds that exempt information is likely to be disclosed as defined in Paragraph 3 of Schedule 12(A) to the Act).

Prior to any discussion on this item, a Member proposed that the item be deferred to a future meeting to enable a full discussion.

It was then **RESOLVED** that this item be deferred to a future meeting of the Hub Committee for further consideration.

(The Meeting terminated at 5.35 pm)

Chairman

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Agenda Item 5

Report to: **Hub Committee**

Date: **20 September 2016**

Title: **Medium Term Financial Strategy for the five year period 2017/18 to 2021/22**

Portfolio Area: **CLlr P R Sanders - Annual Budget Setting Process**

Wards Affected: **All**

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

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

Author: **Lisa Buckle** Role: **Finance Community of Practice Lead**

Contact: **Tel. 01803 861413**
Email: lisa.buckle@swdevon.gov.uk

Recommendations: It is recommended that the Hub Committee:

- i) Considers the five year Medium Term Financial Strategy (MTFS) and provides an indication of the budget principles to be adopted, with particular reference to;
 - the level of council tax increase,
 - the use of New Homes Bonus to support the revenue budget,
 - bringing forward income generation and budget savings and
 - maintaining the current Council policy on the minimum level of unearmarked reserves being £750,000 (see Section 10).
- ii) Recommends to Council to accept the four year financial settlement being offered by the Government as set out in Section 2,
- iii) Recommends to Council that the approval of the Efficiency Statement (for the four year funding settlement) is delegated to the Head of Paid Service in consultation with the Leader, Lead Member for Support Services and the S151 Officer (Finance Community of Practice Lead).
- iv) Recommends to Council to commence consultation with Town and Parish Councils, on an annual grant reduction of 8.6% for the next three years in the Local Council Tax Support Grant, as shown in Appendix E.

1. Executive summary

- 1.1 This is the annual review of the Council's Medium Term Financial Strategy (MTFS). It is based on a financial forecast over a rolling five year timeframe to 2021/22 which will help ensure resources are aligned to the outcomes in Our Plan (see Section 5). The forecast is intended to provide a framework within which decisions can be made regarding the future service provision and council tax levels whilst building an approach that guarantees West Devon Borough Council's longer term viability.
- 1.2 The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. The Queen's Speech delivered on 27 May 2015 stated that the government will "continue the work of bringing the public finances under control and reducing the deficit, so that Britain lives within its means". The economic backdrop continues to be challenging, resulting in significant on-going reductions in Government funding, with the Council needing to focus on long term financial planning. Looking ahead, given the deficit in public finances, there will undoubtedly be more difficult times ahead in terms of reducing Government grants, which could be as much as 30% to 40% over the next 4 to 5 years. This will result in continuing pressures to find further significant savings, efficiencies and additional income.
- 1.3 In response, in 2013 the Council alongside its shared services partner, South Hams District Council, approved an innovative Transformation Programme (T18). This is delivering a new operating model to ensure that both Councils can continue to deliver quality services for its customers and communities. An investment budget of £2.83 million was approved, to deliver annual recurring revenue savings of £1.64 million. The payback period for the Programme is 2.75 years. The Transformation Programme has received the backing of Central Government and the Council was awarded £266,000 of Government funding towards the upfront investment costs.
- 1.4 The Council's Transformation Programme, coupled with savings from the re-procurement of contracts and other areas, has meant that in 2017/18 the Council has a projected Budget Gap of £40,617. In 2018/19 there is a projected Budget Gap of £641,781. There are Budget Surpluses in years 2019/20 and 2020/21 and the modelling assumes that these surpluses are used for one-off investment in the years 19/20 and 20/21 and are taken as a saving in the next financial year. Over the five years, the cumulative projected budget gap is £492,490 as shown below.

- 1.5 West Devon and South Hams are working together to deliver common strategies and priorities and design new ways of working differently, although how these will apply to the different localities and communities may still vary. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending as outlined in the Comprehensive Spending Review announcement.
- 1.6 At the same time though, there are also funding sources and opportunities that the Councils must fully exploit as part of the business model. In this context, and like many other Councils, West Devon and South Hams have to make a number of sometimes difficult and complex financial decisions. The Councils are confident that their budgets and the approaches being adopted represent a sound platform for the medium term.

- 1.7 The following table illustrates the predicted budget gap from 2017/18 onwards for the Council as shown in Appendix B:

	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
Annual budget gap/(surplus)	40,617	641,781	Nil	Nil	(189,908)
CUMULATIVE BUDGET GAP OVER THE FIVE YEARS TO 21/22					£492,490
In the years 2019/20 and 2020/21, a budget surplus arises and the modelling assumes that these surpluses are used for one-off investment in the years 19/20 and 20/21 and are taken as a saving in the next financial year.					

- 1.8 If New Homes Bonus (NHB) were to be used as outlined in Section 8.3 of the report, this would mean that there would potentially be £60,000 of NHB which is uncommitted in 2017/2018. This assumes that £0.7 million of NHB will be used in this year to support the Revenue Base Budget. An allocation for Dartmoor National Park would need to be deducted from the £60,000.
- 1.9 The Budget for 2016/17 was approved by Council on 16th February 2016. This is the starting point for producing the refreshed MTFs and the detailed budget proposals for 2017/18. The 2016/17 Net Budget approved by West Devon Borough Council was £7.25 million.
- 1.10 Whilst there remains a great deal of uncertainty about various elements of income and expenditure, the forecast has been based on a set of assumptions (set out in Section 3) which represent a cautious estimate in order to focus attention on the revised funding gap. The figures will be continually updated as we progress through the financial year.

- 1.11 The Council's approach to financial planning over the medium term will include a focus on income generation and commercial opportunities. This will strengthen the position of the Borough Council by developing financial resilience through less exposure to reductions in Government funding.
- 1.12 The budget setting process is an iterative process that will constantly change over the next five years. As the Council becomes aware of new cost pressures or further reductions in funding over the next 5 years, this will increase the predicted budget gap. The converse is true for any savings or additional income which are identified over the next five years. Announcements during 2015 that local authorities will be able to retain 100% of business rates income from 2020 and that Revenue Support Grant will be phased out, mean that the Council will need to keep its financial strategy under constant review and adapt the Council's business model to continue to respond to the challenges.

BUDGET PRINCIPLES

- 1.13 The MTFS sets out the key Budget Principles for how the Council will be developing its approach to achieving financial sustainability. These are set out below:-

A clear financial strategy, including a revenue budget and capital investment strategy that supports the above and sets out how the Council aims to tackle the Budget gap over the next five years.

To continue working in partnership with South Hams District Council, to embed the new business model, to enable the Council to respond to changes in Government funding that will support the delivery of strategic priority outcomes and the medium term financial sustainability.

To adopt an investment strategy that maximises funding streams e.g. New Homes Bonus and Business Rates and that delivers additional income and savings in the future e.g. doing things on an 'Invest to Save' basis.

Achieving efficiencies and cost reductions, through collaborative working and getting the basics right.

A more commercial approach, which could include the establishment of a local authority controlled company, through which we can generate additional income with a 'Profit for Purpose' basis.

2 FOUR YEAR SETTLEMENT FUNDING OFFER

- 2.1 The Government has offered a four year settlement funding offer to Councils. The deadline for accepting the offer is Friday 14th October.
- 2.2 The offer requires Councils to produce an Efficiency Plan if they wish to accept a four-year settlement. It also states that Efficiency plans do not need to be a separate document and can be combined with Medium Term Financial Strategies. There has been no guidance from the Government on the content of the Efficiency Statement although the Local Government Association (LGA) has issued some top tips on what an Efficiency Plan should contain. This is attached in Appendix C. This says that practitioners are expecting the Efficiency Plan to be a short 2 – 4 page narrative, with typical documents to support this narrative to include the latest budget, corporate plan, transformation plan, asset-management plan and baseline organisational structure.
- 2.3 The offer letter from the Department for Communities and Local Government (DCLG) confirms that the four year offer is entirely optional and states:-
'It is open to any Council to continue to work on a year-by-year basis, but I cannot guarantee future levels of funding to those who prefer not to have a four year settlement'.
- 2.4 If the Council accepted the four year offer, this would guarantee the levels of funding over the next four years (to 2019/20) for:-
- Revenue Support Grant (this reduces to Nil in 2018/19)
 - Transitional Grant
 - Rural Services Delivery Grant allocations
- (These funding levels are shown in Appendix B)
- 2.5 For Business Rates, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.
- 2.6 It is recommended by the S151 Officer that the Council accepts the four year funding offer from the Government, as this would guarantee the allocations that the Council will receive of Rural Services Delivery Grant over the four year period. The allocations are between £286,000 and £373,000 over Years 2 to 4 of the settlement.

3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

- 3.1 A two year employee pay settlement has been agreed which equates to 1% in 2016/17 and 1% in 2017/18. Future levels of pay settlement will be determined by national negotiation between the Local Government Employers and the Trade Unions. A budget provision of 1% for 2017/18 (£40,000) onwards has been modelled. The MTFS 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 MTFs assumes inflation will run at 2% (Government target) over the five year period. The Office for National Statistics (ONS) has said that the annual inflation rate as measured by the Consumer Prices Index (CPI) rose to 0.6% in July 16. Rising fuel prices, more expensive alcoholic drinks and hotel rooms helped to push the rate higher, the ONS said. The Retail Prices Index was 1.9% in July 2016.

3.3 The MTFs has included a cost pressure of £70,000 for Inflation and increases on Goods and Services. The main items are:-

£20,000 – Business Rates increases (Revaluation 2017/18 onwards)

£1,500 – Apprenticeship Levy

£7,500 – Utilities inflation

£17,600 - Development Surveyor post – build into salary establishment (Minute HC 69– see 10.6 as year 1 costs were being funded from an Earmarked Reserve)

£8,400 – Insurance premiums

An amount of just over £15,000 is to fund a 2% uplift on other expenditure budgets.

3.4 The predicted interest rate forecast from our treasury management advisors, Sector, is shown below. On 4th August, the Bank Base Rate was cut from 0.5% to 0.25%. The Council's budgeted investment income in 2016/17 is £45,321. It is assumed that the interest rate return for our investments will average 0.5 % for 2017/18 rising to 1.0% by 2021/22 as shown below:-

2017/18	-	0.5%
2018/19	-	0.5%
2019/20	-	0.5%
2020/21	-	0.75%
2021/22	-	1.0%

It is possible that there will be a further reduction in the Bank Base Rate to 0.1% by the end of 2016 and this is predicted to rise back to 0.5% by 2019. The Council is investigating alternative investment vehicles which will be reported back to Members.

3.5 An increase in council tax of £5 for the next five years has been modelled for council tax purposes. This would equate to a Band D council tax for West Devon of £218.39 in 2017/18 as shown in Appendix B.

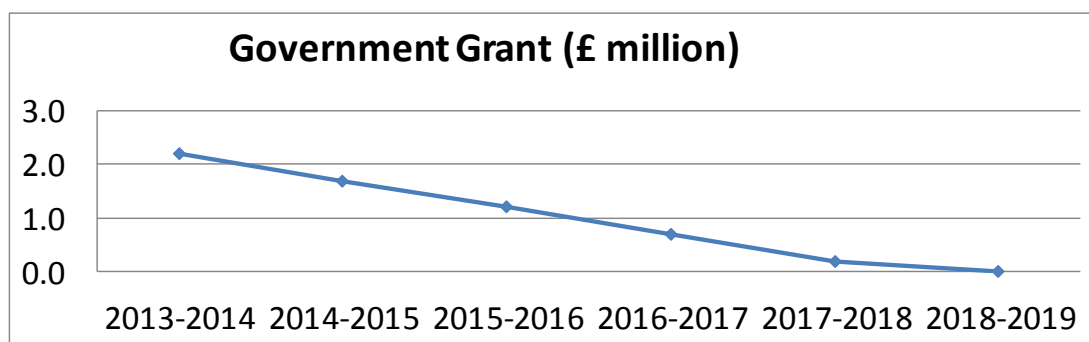
3.6 It has been assumed that the number of properties within the Borough will increase by 300 per annum from 2017/18 to 2021/22 – this is an increase of approx. 1.5% - the Council had £19,733.41 Band D equivalent properties in 2016/17. These additional properties have been used to calculate the amount of additional Council Tax and also the potential for New Homes Bonus. These figures will be updated when actual figures are known around November.

4. GOVERNMENT FUNDING, BUSINESS RATES AND COUNCIL TAX

4.1 Revenue Support Grant (Government Grant funding)

By 2018/19 the Council will receive no Government funding (Revenue Support Grant) and the Council will need to be self-sufficient. The withdrawal of Government funding has happened two years earlier than expected.

4.2 Since 2013, the Council has seen a 45% reduction in Government funding. In 2013/14 the Council received £2.2 million in Revenue Support Grant and this will be reduced to zero by 2018-19 as shown.



4.3 The reductions in Revenue Support Grant (RSG), as shown in the four year funding settlement offer by the Government, are as follows:

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Revenue Support Grant (RSG) (2015/16 RSG was £1.215 m):	£623,404	£223,284	Nil	Nil	Nil

4.4 **Rural Services Delivery Grant** - The Council will receive rural funding through a separate Rural Services Delivery Grant. This is something that was lobbied for through our work with SPARSE to reflect the fact that it costs more to deliver services in rural communities. The Council's grant allocations (from the four year settlement offer) are shown in Appendix B and are:

2016-17	£461,498
2017-18	£372,638
2018-19	£286,645
2019-20	£372,638

- 4.5 There is no information available on whether the Rural Services Delivery Grant will continue from 2020/21 when 100% Business Rates Retention (BRR) is introduced. It is potentially one of the grants that could be rolled into the 100% BRR Scheme. The financing of Local Government may look very different and an assumption has been made in the MTFS that funding of £250,000 will be available in 2020/21 and 2021/22 in some form.
- 4.6 **Retained Business Rates** - The Government introduced the Business Rates Retention system from April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline.
- 4.7 In line with good financial management principles, a provision has been made in the Accounts for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency and on advice from them about the likely success rate of appeals. The Council is part of the Devonwide Business Rates and in 2015/16 made a pooling gain of £38,094.
- 4.8 In 2015/16 there has been a £1.185 million increase in the provision for appeals within the Council's Collection Fund. This has resulted in a deficit in the Business Rates Collection Fund of £1.5 million. West Devon Borough Council's share of the deficit is 40% (£607,000).
- 4.9 The Council will need to pay additional sums into the Collection Fund in future years to bring the Collection Fund back into balance. Monies have been set aside in the Business Rates Retention Earmarked Reserve to mitigate the impact of this in future years and to fund the volatility in Business Rates income. The balance on this reserve is £844,000 at 31 March 2016 (as per Appendix G).
- 4.10 The Council was in the safety net position for 2015-16 for Business Rates (income was more than 7.5% below the business rates baseline due to the size of the appeals provision) and therefore for future years, business rates income has been budgeted for at the Business Rates baseline.
- 4.11 The Council's Business Rates Gross amount payable has increased from £9.8 million in 2011/12 to £11.1 million in 2016/17 – an increase of over 2% per annum. Of the Business Rates collected of £11.1 million, the Council is predicted to retain in funding only £1.508 million of this in 2016/17. So the Borough Council retains approximately 13.5p in every £1 to run our services.

Self-sufficient local government: 100% Business Rates Retention

- 4.12 The Government is currently consulting on the implementation of 100% Business Rates Retention for local government. This will be implemented by the end of Parliament. The consultation paper asks questions about the principles underlying the system, with a detailed technical paper planned to be issued for consultation in Autumn 2016. The Council's response to the consultation document is also an item on the agenda for the September Hub Committee meeting.
- 4.13 The consultation paper confirms that the move from 50% to 100% Business Rates Retention (BRR) will see new responsibilities given to local government, with certain central government grants being phased out (such as Revenue Support Grant). The Government has previously announced that the move to 100% BRR will be fiscally neutral.
- 4.14 **Business Rates Revaluation** - There will be a Business Rates Revaluation which will go live on 1 April 2017. A flyer from the Valuation Office was included with all business ratepayers bills in March 2016.
- 4.15 West Devon Borough Council's share of the council tax bill in 2016/17 was **12%**, being £213.39 out of an average Band D council tax bill of £1,736.13. The total income from council tax in 2016/17 is £4,210,912.
- 4.16 Income from **Council Tax** – The table below shows how an average Band D council bill is made up for West Devon for the last two years:

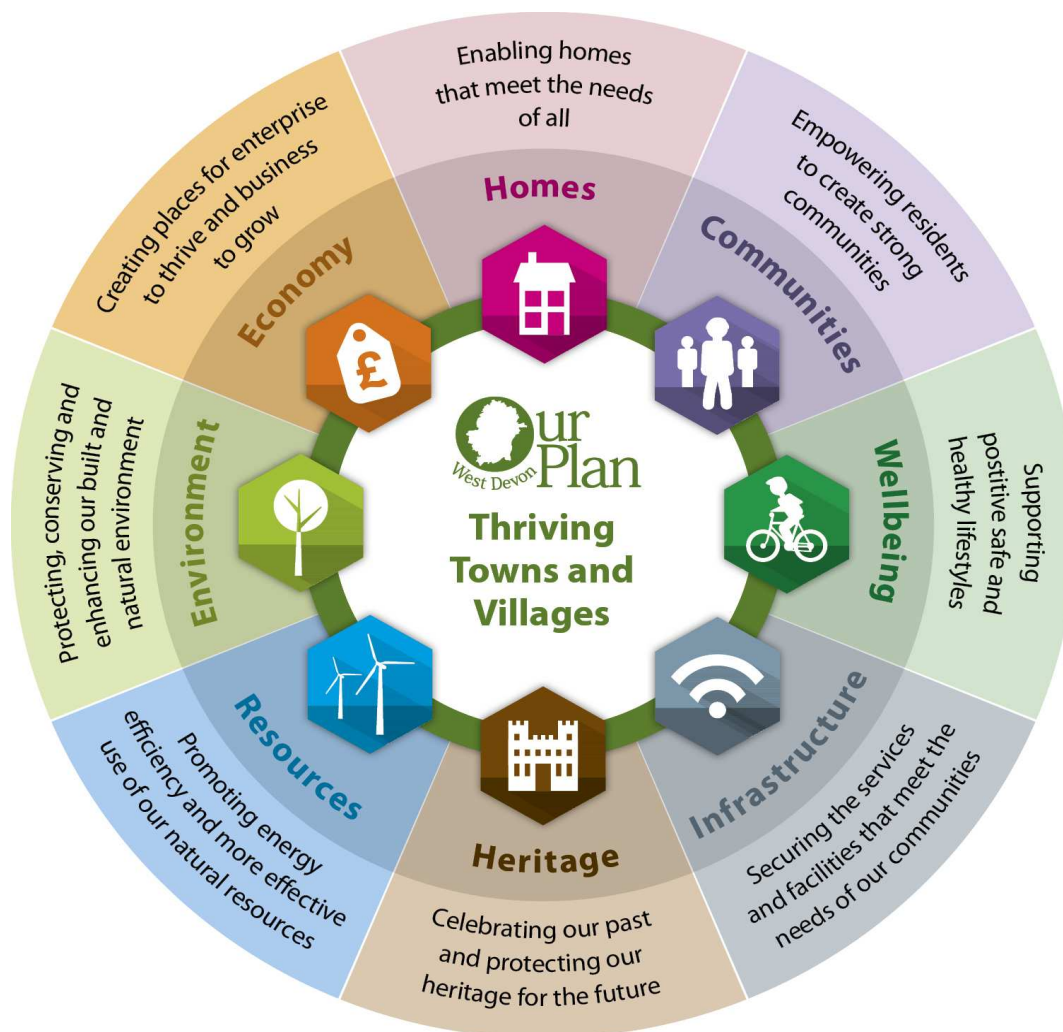
Precepting Authority	Band D 2015/16	Band D 2016/17	£ Increase	% Increase
West Devon Borough Council	£208.39	£213.39	£5.00	2.40%
Devon County Council Precept	£1,161.27	£1,184.39	£23.12	1.99%
Adult Social Care Precept *		£23.23	£23.23	2.00%
Devon & Cornwall Police & Crime Commissioner	£169.47	£172.84	£3.37	1.99%
Devon & Somerset Fire & Rescue	£78.42	£79.98	£1.56	1.99%
Average Parishes/Towns	£60.77	£62.30	£1.53	2.52%
TOTAL	£1,678.32	£1,736.13	£57.81	3.44%

£5 council tax referendum limit for District Councils for four years

- 4.17 The final Finance Settlement announced in February 2016 stated that the Council Tax referendum limit for all District Councils for the next four years (2016/17 to 2019/20) is the higher of 2% or more than £5. This means the Borough Council would have the flexibility to increase its Band D council tax by £5 per year until 2019/20. (An increase of £5.01 triggers a council tax referendum).
- 4.18 District Councils lobbied for the ability to be able to increase council tax by up to £5. The Council made the point that given the dramatic cuts to funding in Revenue Support Grant and New Homes Bonus, Councils must be given the freedom to set the council tax locally based on local need and local understanding of the services and demands on those services. The Band D council tax level for 2016-17 was set by Council at £213.39.
- 4.19 **Collection Fund Surplus** – At the end of March 2016, the Council has a balance on its Collection Fund (council tax collection fund) of £2.26 million. A large part of this has been distributed in 16/17 but there is a predicted £1.1 million to distribute in 2017/18. This means that the Borough Council's share of this distribution is £170,000 which is funding available towards the 2017/18 Budget.

5 THE COUNCIL'S STRATEGIC PRIORITIES – OUR PLAN

- 5.1 The Council's 'Our Plan' describes the Council's vision and its aspirations for our communities. It does this by setting out what the Council wishes to deliver to our communities under eight themes. These themes are: Homes; Economy; Communities; Wellbeing; Infrastructure; Environment; Heritage; and Resources.
- 5.2 There is then a plethora of external policies and strategies which support the delivery of 'Our Plan' (e.g. Planning Policy Guidance, or Homelessness Strategy) helping the Council to deliver this vision. Underpinning these outward looking policies and strategies is a raft of internal policies and strategies to help us to deliver Our Plan (e.g. ICT policies, or agile working, or staff appraisals to help develop our workforce). The Council posts all of its strategies and policies, both internal and external, on its website.



- 5.3 The Council has a number of strategic documents and plans that guide its approach to achieving its vision and ensuring that it remains financially sustainable. The most impactful and important of these are: Our Plan; Joint Local Plan; Medium Term Financial Strategy (MTFS); and the Asset Management Plan.



6 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION FOR 2017/18 ONWARDS

- 6.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 6.2 **Appendix A** to the Medium Term Financial Strategy 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.** A description of the larger budget pressures are set out below.

- 6.3 **Inflation on the waste collection, recycling and cleansing contract**
The current contract ends on 31 March 2017 and a budget pressure of £300,000 has been built into the MTFs for 17-18 onwards as an estimate. This is based upon current market conditions and indicative industry costs. A firm managed service cost for the next 2 financial years will be negotiated for waste and cleansing services as directed by Members.
- 6.4 **Triennial Pension revaluation** – The Council's Pension Fund is valued every three years. A revaluation was due for March 2016. Any new employer's pension contribution rates will apply from April 2017. No detailed information is yet available on the results of the Triennial revaluation, although it is expected that there will be an increase in the contributions due to the continued increase in life expectancy and the economic conditions. An estimate of £75,000 has been built into the MTFs, with a further stepped increase of £25,000 in 18/19.
- 6.5 **Inflation and increases on goods and services** – There is a cost pressure of £70,000 in the MTFs for Inflation and increases on goods and services, the detail of which is shown in 3.3.
- 6.6 **Salaries** – A 1% provision for a pay award has been included for 2017/18 which totals £40,000. This is explained in section 3.1. Also an amount of £40,000 has been included for salary increments.
- 6.7 **Housing Benefit administration subsidy and Council Tax Support Admin Grant** - The Council currently receives grant income of £160,000 in Housing Benefit administration subsidy and £59,000 in Council Tax Support Admin Grant. It is anticipated that these grants could reduce by £30,000 next year (between both grants) and a cost pressure has been included for these amounts.
- 6.8 **National Living wage and National Insurance** – The Summer Budget 2015 announced plans for a National Living wage for the over 25s of £7.65 per hour in 2017 increasing to £9.00 per hour by 2020. There will also be a small increase in national insurance contributions. A cost pressure of £20,000 has been included for these elements.

EARMARKED RESERVES

- 6.9 As part of the compilation of the MTFs, a review has been carried out of the Council's Earmarked Reserves to assess the adequacy of the level of Earmarked Reserves. A schedule of Earmarked Reserves is shown in Appendix G.

- 6.10 **IT Development Reserve** – It is recommended that the Council makes an annual contribution of £25,000 per year into this reserve to fund IT expenditure. An ICT Strategy will be reported to the Hub Committee on 1st November, outlining areas of future spend.
- 6.11 **Planning Reserve** – An annual contribution to the Planning Reserve is recommended, in order to be able to make a provision for the cost of the Council defending planning appeals.
- 6.12 **Contribution to the Strategic Change Reserve (T18)** – The contributions to the T18 Strategic Change Earmarked Reserve were set out in the Business Case in the Council report of 9th December 2014. These contributions are to meet redundancy and pension strain costs and other non-recurring costs. These one-off investment costs are funded by the savings.

SAVINGS AND INCOME GENERATION

- 6.13 **Re-procurement of contracts** – The MTFS shows the savings in Appendix A from the re-procurement of outsourced contracts.
- 6.14 **Business Rates pooling gain** – A pooling gain of £30,000 has been estimated within the savings.
- 6.15 **Kilworthy Park** – Additional rental income of an extra £5,000 per annum has been built into the MTFS.
- 6.16 **Transformation Programme 2018 (T18) savings** – As shown in Appendix A, as approved in the 9th December 2014 Council report, in 2016/17 recurring annual staff savings of £700,000 (30% of current staffing levels) and £25,000 other staff saving costs (ancillary costs) were built in. Note the £725,000 savings in 2016/17 are in addition to £962,000 of savings already built into the 2015/16 Base Budget, with total savings being £1.6 million.

7. OVERALL POSITION – BUDGET (SURPLUS)/GAP

- 7.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. Although the Council's Net Budget is £7.25 million in 2016/17, the Gross Expenditure of the Council is around £26 million.
- 7.2 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 the Council Tax is increased by £5 (shown in Appendix B).

7.3 The Council's Transformation Programme, coupled with savings from the re-procurement of contracts and other areas, has meant that in 2017/18 the Council has a projected Budget Gap of £40,617. In 2018/19 there is a projected Budget Gap of £641,781. There are Budget Surpluses in years 2019/20 and 2020/21 and the modelling assumes that these surpluses are used for one-off investment in the years 19/20 and 20/21 and are taken as a saving in the next financial year. Over the five years, the cumulative projected budget gap is £492,490 as shown below.

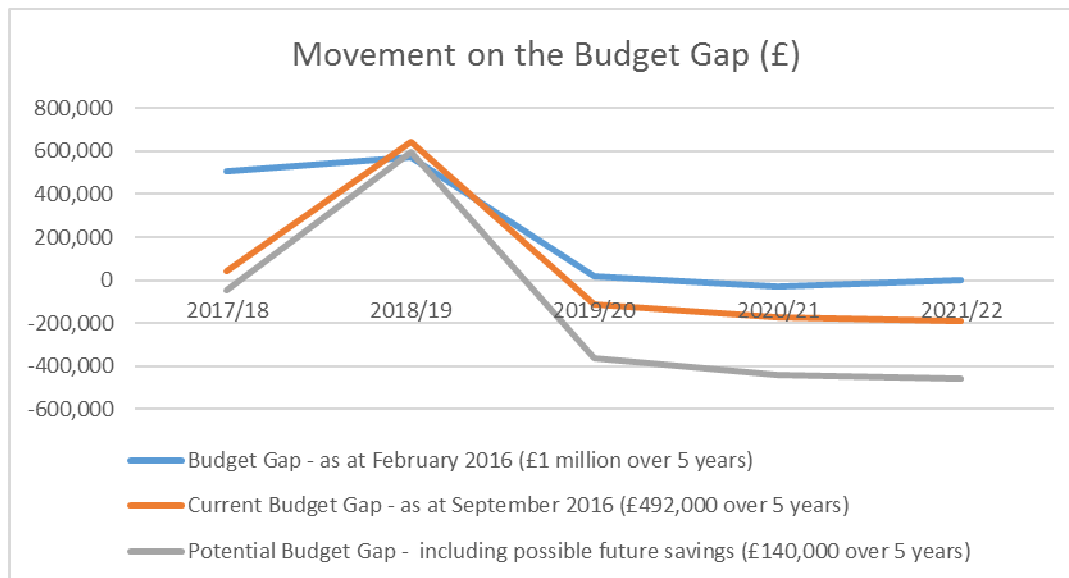
7.4 The following table illustrates the predicted budget gap from 2017/18 onwards for the Council as shown in Appendix B:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Budget gap/(surplus)	40,617	641,781	Nil	Nil	(189,908)
CUMULATIVE BUDGET GAP OVER THE FIVE YEARS TO 21/22					£492,490
In the years 2019/20 and 2020/21, a budget surplus arises and the modelling assumes that these surpluses are used for one-off investment in the years 19/20 and 20/21 and are taken as a saving in the next financial year.					

7.5 **Identification of further savings and income generation** – There are several areas where further work is being carried out by officers to identify further savings and income generation and to robustly challenge existing funding levels within the base budget:

- Fees and charges – This will be considered as part of the annual budget setting process.
- Budget scouring – All of the existing base budgets will be challenged by the Senior Leadership Team in an exercise with the Extended Leadership Team (ELT), in order to identify further savings. The outcome of this process will be reported to the Overview and Scrutiny Committee.
- Review of partnership funding levels - Significant partners will be invited to submit a business plan to the Overview & Scrutiny Committee setting out what they would spend the funding on, how it will benefit our residents, links to the Council's Strategic Priorities, what value for money it will provide and what success measures they would use, so that the Overview and Scrutiny Committee can make recommendations to Hub Committee/Council on the funding arrangements.

- 7.6 There are areas which are shown as possible future savings (shown in grey on Appendix A) which are being progressed by the Senior Leadership Team. These were the subject of a report to the Hub Committee in March 2016 (Income Generation report) and Special Council on 26 July 2016 (Local Authority Controlled Company – LACC Business Case). These total £352,000.
- 7.7 The graph below demonstrates how the Budget Gap has moved from the position in February 2016 where it totalled £1 million over the 5 years. The position shown in this MTFS is that the current Budget Gap is now £492,000 over the next 5 years, due to the level of savings being realised. If the areas currently being progressed by the Senior Leadership Team are confirmed, this would further reduce the Budget Gap to £140,000 over the next 5 years.



8 NEW HOMES BONUS (NHB)

- 8.1 This grant was introduced in 2011/12 and provides incentives for local authorities and local communities to be supportive of housing growth. It is not ring fenced and can be spent on anything.
- 8.2 New Homes Bonus allocations for future years are estimates and cannot be taken with any certainty as the whole NHB system is subject to change following a Government consultation exercise in March 2016.
- 8.3 The table below shows estimated amounts of NHB receivable in future years:-

	2017-18 (£)	2018-19 (£)	2019-20 (£)	2020-21 (£)	2021-22 (£)
Predicted NHB amount	1,100,000	900,000	800,000	800,000	800,000
Potential uses of the NHB:-					
Housing Capital Projects	340,000	340,000	340,000	340,000	340,000
To fund the Revenue Base Budget	700,000	500,000	400,000	400,000	400,000
Dartmoor National Park allocation	TBA	TBA	TBA	TBA	TBA
Funding remaining unallocated	60,000	60,000	60,000	60,000	60,000

- 8.4 The figures above in 8.3 are based on the NHB consultation proposals to reduce the number of years from 6 years to 4 years (with 5 years funding for 2017/18 as a transitional year).
- 8.5 The modelling in 8.3 assumes a contribution from NHB of £700,000 to fund the Revenue base budget in 2017/18 (In 2016/17 this was £1million).
- 8.6 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.

9. CAPITAL PROGRAMME 2017/18 to 2021/22

9.1 The table below shows some preliminary estimates for the Capital Programme for 2017/18 to 2021/22. A Capital Programme budget proposals report for the three years 2017/18 to 2019/20 will be presented to the Hub Committee in December 2016.

	2017/18	2018/19	2019/20	2020/21	2021/22
Tenants Incentive Scheme (TIS)	15,000	15,000	15,000	15,000	15,000
Village Halls and Community Projects	36,000	36,000	36,000	36,000	36,000
Affordable Housing (see Note 1)	200,000	200,000	200,000	200,000	200,000
Disabled Facilities Grants (see Note 2)	450,000	450,000	450,000	450,000	450,000
TOTAL CAPITAL PROGRAMME	701,000	701,000	701,000	701,000	701,000
Suggested method of funding the Capital Programme:					
Better Care funding towards Disabled Facilities Grants (see Note 2)	<i>(361,000)</i>	<i>(361,000)</i>	<i>(361,000)</i>	<i>(361,000)</i>	<i>(361,000)</i>
Potential funding from New Homes Bonus (Required to fund the Capital Programme)	340,000	340,000	340,000	340,000	340,000

Note 1 - The current level of capital funding allocated to the delivery of affordable housing is an annual contribution of £200,000.

Note 2 –It has been assumed above that the allocation of funding from the Better Care Fund towards the cost of Disabled Facilities Grants will be of a similar level to the current year, 16/17.

9.2 **Waste services** - Capital requirements for the delivery of waste services (and financing options) will be the subject of a future report to Members.

- 9.3 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.
- 9.4 As part of the budget proposals, it is necessary to review the level and phasing of schemes within the Capital Programme. It is important that the programme is matched with available resources and the impact on reserves and the revenue budget is fully assessed. This will form part of the December report.
- 9.5 **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.
- 9.6 In July 2016 (Minute CM28), the Council agreed to undertake prudential borrowing of £1.5 million for the new leisure contract.
- 9.7 Also at Council on 26 July 2016 (Minute CM27), Council agreed that subject to the approval of the recommendation set out in 11.11 of this report, that the Council enters into an external Waste Management arrangement; this arrangement will be subject to full affordability assessment, risk analysis and in compliance with Public Contract Regulations 2015, for a 2 year period with a view to waste services transferring to the LACC at the end of the 2 year period; and that the Council proceeds to acquire the fleet required to satisfy the West Devon Waste specification as set out in Appendix D of the presented agenda report. If purchased, as opposed to leased, the cost of the fleet is to be financed through borrowing.

10. EARMARKED AND UNEARMARKED RESERVES

- 10.1 The Council's Net Budget is £7.25 million in 2016/17. It is still recommended to retain the same policy of maintaining a minimum level of Unearmarked Reserves of £750,000. The summary below shows the position at 31 March 2016:

The Use of Unearmarked Revenue Reserves	
	£'000
Balance B/fwd 1.4.2015	1,023
Revenue Outturn Underspend for 2015-16	32
Unearmarked revenue reserves at 31.3.2016	1,055
Earmarked revenue reserves at 31.3.2016 (see Appendix G)	2,395

The Unearmarked General Fund Revenue Reserve balance at 31st March 2016 was £1,055,000 and the Earmarked Reserves balance was £2,395,000. This gave total Revenue Reserves of £3,450,000.

The predicted earmarked and unearmarked reserves for 2016/17 are shown below:-

	£'000
Unearmarked Reserves balance as at 31 st March 2016	1,055
Earmarked Reserves	2,395
Predicted movement in Earmarked Reserves (Appendix G)	925
Total Predicted Reserves as at 31st March 2017 (Unearmarked Reserves of £1,055,000 and Earmarked Reserves of £3,320,000 as shown in Appendix G)	4,375

- 10.2 Our financial strategy recognises the need to maintain un-earmarked revenue reserves to provide stability for both medium and longer term planning and to provide a contingency against unforeseen events. In setting the minimum level at £750,000, the following have been taken into account:
- The size of the authority
 - The volatility of some income and expenditure budgets due to a dependency on the weather, tourism and state of the economy
 - The risks faced by the Council with regard to funding unforeseen events
 - Uncertainty over future Government funding and Business Rates
 - Uncertainty over future New Homes Bonus allocations
- 10.3 The Unearmarked Reserves (General Fund) balance of £1.055 million stands above the minimum balance of £750,000 and acts as a safeguard against unforeseen financial pressures.
- 10.4 **Specific Earmarked Reserves** - The level and commitments for each reserve are kept under review each year to make sure the committed balance is adequate for its purpose (in accordance with LLAP Bulletin 99, a guide on 'Reserves' from the Chartered Institute of Public Finance). Sections 6.9 to 6.12 of the report set out where the adequacy of the level of Reserves has been assessed and where recommendations have been made to increase the annual contribution to Earmarked Reserves.
- 10.5 A schedule of predicted Earmarked Reserves for 16/17 is shown in Appendix G. Earmarked Reserves are predicted to be £3,320,000 at the end of March 2017.

- 10.6 The tables below show the movements on the two Earmarked Reserves that were set up as part of the Budget approved for 2016/17.

2016/17 Budget Surplus Contingency Earmarked Reserve (£)	
Opening Balance – This is the Budget Surplus from 2016/17 which was put into an Earmarked Reserve.	669,292
Less known Commitments against this reserve:	
Council 26 July 2016 – To fund the LACC set up costs	(127,500)
Balance left uncommitted	541,792

Innovation Fund (Invest to Earn) Earmarked Reserve (£)	
Opening Balance - (Minute HC69) Unallocated New Homes Bonus funding from 16/17 and reallocated Capital Budget for Affordable Housing – both amounts were transferred into an ‘Invest to Earn’ reserve to fund income generating activities.	922,462
Less known Commitments against this reserve:	
Year 1 funding of Development Surveyor (Minute HC69)	(17,600)
Balance left uncommitted	904,862
Memorandum Note: Possible uses of this Reserve:	
Riverside Commercial Development (There is a separate report on the September Hub Committee report concerning this item)	
(Minute HC 69) Proposal to invest monies from the “Invest to Earn” reserve to acquire 2 properties within West Devon, has been approved in principle, subject, as appropriate, to individual business case sign off by the relevant delegated authority and consideration of full legal and financial implications.	

- 10.7 **Sensitivity analysis and risk analysis** – The figures within the Medium Term Financial Strategy have been subject to a sensitivity analysis of the figures and a risk analysis. A copy is attached at Appendix F.

11 OTHER BUDGET ITEMS

- 11.1 **Members' Budget Workshop** – On 20th October 2015 a Members' Budget Workshop was held. This was to give all Members the opportunity to influence and shape the budget setting process.
- 11.2 At this workshop, there was early support for increasing council tax by the maximum allowable percentage. At this event it was recognised that this measure would increase the base budget for ensuing years and protect the delivery of services and the Council's financial resilience. (At the time the workshop was held in October 2015, the maximum council tax increase allowable was 1.99%). The Final Finance Settlement announced in February 2016 increased the maximum council tax increase allowable to £5.
- 11.3 A Members' Budget Workshop will be held this year on Monday 3rd October in order to carry out a full review of the MTFS and to look at the eight themes within Our Plan.
- 11.4 **Council Tax Reduction Scheme** – Following Council Tax Benefit being abolished, Council annually approves a local Council Tax Reduction Scheme which was introduced in 2013. This scheme is a discount scheme rather than a state welfare benefit and means that working age claimants will pay at least 20% of their Council Tax. The scheme for 2017/18 was considered by the Hub Committee on 7 June 2016 (Minute HC 5) and the consultation ended on 4th September. There is a vulnerability/hardship fund to help those claimants experiencing financial difficulties.
- 11.5 In the December 2013 Statement, the Minister reminded local authorities that within the funding for Council Tax Support Schemes there is an element to specifically reflect reductions in the parish tax base resulting from the introduction of Localised Support for Council Tax (following Council Tax Benefit being abolished from 1 April 2014). The Minister confirmed that the funding is not separately identified because it is not ring-fenced. There is recognition that as caseloads change and schemes evolve, the amount that different parishes need will also change. There is also an expectation by the Government that billing authorities will continue to pass on support to town and parish councils to help mitigate any reduction in their tax base due to the local Council Tax support scheme.
- 11.6 It is therefore considered appropriate that the Council Tax Support Grant to Town and Parish Councils should reduce in line with the reduction that the District Council is experiencing with its Settlement Funding Assessment (SFA). The Council approved a grant distribution of £77,509 for 2016-17. It is estimated that the Council's funding (Revenue Support Grant, Business Rates, Rural Services Delivery Grant and Transition Grant) will decrease by 23.5% in the next three years of the funding settlement (see Appendix B). The equates to 8.6% each year over the next three years.

- 11.7 Many Towns and Parishes would like more certainty of their grant allocations for planning purposes and therefore it is proposed to consult with Towns and Parishes on a three year funding reduction of 8.6% each year for the next three financial years (2017/18 to 2019/20). This is an overall reduction of £6,668 for 2017-18. Appendix E illustrates the effect for each Town and Parish. This would mean the grant distribution of £77,509 for 2016-17 would reduce to £59,178 by 2019-20.

Devolution

- 11.8 The Council plays an active part in the Heart of the South West LEP's devolution project. In September 2015 the Heart of the South West (HotSW) submitted its devolution Statement of Intent to Government. The partners are 17 local authorities, two National Parks, the Local Enterprise Partnership and the three Clinical Commissioning Groups.
- 11.9 In July 2016 (Minute CM 29) Council agreed to sign up to the principle of creating a Combined Authority for the Heart of the South West, as set out in the Prospectus for Productivity, as the basis for negotiation with Government towards a Devolution Deal for the area. It was noted that giving endorsement did not commit the Council to entering into a Devolution Deal or becoming a member of the Heart of the South West Combined Authority. This would be subject to future debate and agreement by the Council and subject to negotiations with Government.

Local Authority Controlled Company (LACC)

- 11.10 On 26 July 2016 (Minute CM27), Council considered a report on the findings of a business case that had been prepared by PriceWaterhouseCoopers (PWC) at the request of Members, on the merits of establishing a Local Authority Controlled Company (LACC). The company would be wholly owned by West Devon and South Hams Councils, to deliver the full range of District Council services. In doing so, it is anticipated that this would create an opportunity to sell these services to other organisations to generate income.
- 11.11 It was agreed that the Council proceed with the work which enables a more considered decision to be made with regard to the implementation of a LACC, subject to there being a satisfactory outcome to the outstanding pension, tax and governance questions and the production of a fully tested Business Plan. It was also agreed that a Joint Steering Group (JSG) with South Hams be established to deal with matters concerning the implementation of the LACC.

UK vote to leave the European Union

11.12 The full implications of the decision on 23 June 2016 by the UK to negotiate an exit from the European Union (EU) will become apparent over time. There may be changes in Government policy and any significant changes in the economy may have an impact on local government financing. The MTF5 contains the latest high level forecasts in the public domain for budgeting purposes (those announced in the Local Government Finance Settlement in February 2016) and the Council will continue to monitor any impact on public sector funding and the Council's treasury management activity closely.

Income generation opportunities and the Council's asset management strategy

11.13 In this financial climate, income generation becomes a key priority area. Efficient and effective management of the Council's commercial property portfolio is inextricably linked to the Council's response to expected reduction in funding support and increasing the revenue from commercial property will help to bridge future funding gaps.

11.14 The commercial property portfolio is run as a commercial enterprise so as to generate a revenue stream for the Council. It is the aim of the Council to continue to run the commercial estate and over time, to increase its size, by developing out sites in its ownership, as well as through the purchase of new land where required. The development programme will form part of the capital programme, which is predicated on robust and compelling business cases. Whenever financially viable, the Council will consider and deploy renewable energy / environmentally friendly solutions and technologies.

11.15 In summary, the Council's asset management strategy is to:

- Pro-active dispose of non-strategic land to reduce operational expenditure
- Use funds realised from asset disposals for future development
- Bring forward strategic sites for development or disposal as appropriate (investment will be required)
- Actively grow Commercial Asset Portfolio - Focus on Housing (Affordable, Rental, Market) & Employment Units

11.16 Other income generation initiatives will be pursued in tandem with extending the commercial property portfolio; linked to driving more value from Council assets and resources. This could be from providing customers with added value services.

12 Timetable for the Budget Setting Process

12.1 Appendix D sets out the timetable for the Budget Setting Process.

13 Looking Forward to the Future

13.1 Overall, the Council's finances remain strong. In order to maintain this position, the Council operates continuous monitoring of both income and expenditure. This ensures that services are delivered within approved budgets and that all three elements of value for money (economy, efficiency and effectiveness) are achieved for our residents.

14. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Hub Committee is responsible for recommending to Council the budgetary framework. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of this MTFS 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>
Financial	Y	The financial implications are set out in Sections 1.7 to 1.8 of the Executive Summary.
Risk	Y	The financial risks are as set out in the report and in Appendix F.
Comprehensive Impact Assessment Implications		
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 – Budget pressures and savings

Appendix B – Modelling of council tax increasing by £5

Appendix C – LGA Top Tips on Efficiency Plans

Appendix D – Budget Timetable for 2017/18 onwards

Appendix E – Council Tax Support Grant for Towns and Parishes – Indicative figures 2017/18 to 2019/20

Appendix F – Sensitivity analysis and risk analysis

Appendix G – Schedule of Reserves

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

BUDGET PRESSURES AND SAVINGS

APPENDIX A

WEST DEVON BOROUGH COUNCIL

	BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £	Yr5 2021/22 £
BUDGET PRESSURES						
Inflation on the waste collection, recycling and cleansing contract (estimate)	80,000	300,000	70,000	70,000	70,000	70,000
Inflation on the street cleaning and public conveniences	10,000	30,000	10,000	10,000	10,000	10,000
Triennial Pension revaluation	60,000	75,000	25,000	0	75,000	0
Recycling of garden and leaf collections	90,000	0	0	0	0	0
New glass recycling banks x 3	(8,000)	0	0	0	0	0
Inflation on goods and services	70,000	70,000	70,000	70,000	70,000	70,000
Increase in salaries - increments and pay and grading	40,000	40,000	40,000	40,000	40,000	40,000
Increase in salaries - pay increase at 1%	40,000	40,000	40,000	40,000	40,000	40,000
Reduction in Housing Benefit administration subsidy	40,000	30,000	20,000	20,000	0	0
National Insurance	60,000	20,000	20,000	20,000	20,000	20,000
Reduction in the Homelessness Grant	50,000	0	0	0	0	0
Kilworthy Park - running costs	45,000	0	0	0	0	0
Tamar Valley Legacy Plan	3,000	0	0	0	0	0
Tamar Estuaries Consultative Forum	1,000	0	0	0	0	0
<i>The following are all one-off cost pressures in 2016/17 and are not required in 2017/18 and are therefore reversed out in 2017/18</i>						
Trading company - specialist advice - One off	150,000	(150,000)	0	0	0	0
Specialist resource - Waste and Cleansing options review and delivery -one off	80,000	(80,000)	0	0	0	0
Our Plan	75,000	(75,000)	0	0	0	0
Elections - reversal of 15/16 one off cost pressure	(50,000)	0	0	0	0	0
TOTAL IDENTIFIED BUDGET PRESSURES	836,000	300,000	295,000	270,000	325,000	250,000

WEST DEVON BOROUGH COUNCIL

BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £	Yr5 2021/22 £
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BUDGET PRESSURES AND SAVINGS

Contribution to Earmarked Reserves

(This line shows the annual contributions into the Reserve)

Contribution to IT Development Reserve (£25K per annum)	25,000	25,000	25,000	25,000	25,000
Contribution to Planning Reserve (£25K per annum)	25,000	25,000	25,000	25,000	25,000

Transformation Project (T18) - Approved at 9th December 2014 Council
(One-off investment costs)

Contribution to Strategic Change Reserve to meet redundancy and pension costs -
Contributions reduce to zero in 2020/21

125,000	160,000	120,000	35,000	0	0
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Net contribution to T18 Reserve to meet other non-recurring costs
(Contributions are offset by savings as per the Business Case)

67,000	67,000	67,000	67,000	0	0
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Total Contribution to Earmarked Reserves

192,000	277,000	237,000	152,000	50,000	50,000
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SAVINGS AND INCOME GENERATION IDENTIFIED

Re-procurement of contracts					
Housing Benefit recoveries					
Other staffing expenses					
Additional investment income					
Business Rates pooling gain					
Reduced running costs at Kiiworthy Park and additional leasing income					

BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £	Yr5 2021/22 £
0	346,000	0	93,000	187,000	39,000
30,000	0	0	0	0	0
60,000	0	0	0	0	0
5,000	0	0	0	0	0
10,000	30,000	0	0	0	0
15,000	5,000	10,000	15,000	0	0
725,000	0	0	0	0	0

Transformation Project (T18) savings - Approved at 9th December 2014 Council report
£700,000 staff savings (30% of current staffing levels) and £25,000 other staff saving
costs (ancillary costs) - Note the £725,000 savings in 2016/17 are in addition to
£962,000 of savings already built into the 2015/16 Base Budget.

TOTAL SAVINGS AND INCOME GENERATION

845,000	381,000	10,000	108,000	187,000	39,000
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MEMORANDUM

POSSIBLE FUTURE SAVINGS(see 7.6)

Riverside commercial development - rental income	30,000				
Income generation from purchase and rental of two properties	15,000				
LACC Waste savings (as per Special Council report 26 July 2016)	41,000		252,000	14,000	

TOTAL SAVINGS AND INCOME GENERATION

86,000	252,000	14,000			
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Note: These savings have not yet been built into the Budget for 2017/18 onwards but are
shown for illustration purposes only, as to possible future savings.
These areas are currently being worked upon by officers but are not yet confirmed or
approved.

Line No.	Example B1 - Council Tax is increased by £5 annually Modelling for the financial years 2017/18 onwards	BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £	Yr5 2021/22 £
1	Base budget brought forward	7,262,325	7,253,325	7,131,707	6,774,926	7,047,105	7,249,652
2	Budget pressures (as per Appendix A)	836,000	300,000	295,000	270,000	325,000	250,000
3	Savings already identified (as per Appendix A)	(845,000)	(381,000)	(10,000)	(108,000)	(187,000)	(39,000)
4	Reversal of Budget Surplus in the following year - used as a saving					(110,177)	(174,724)
5	Projected Net Expenditure:	7,253,325	7,172,325	7,416,707	6,936,926	7,074,927	7,285,927
	Funded By:-						
6	Council Tax income - Modelling a £5 increase in council tax each year (Taxbase 16/17 = 19,733.41 Band D Equivalent properties)	4,210,912	4,375,096	4,542,281	4,712,467	4,885,652	5,061,836
7	Collection Fund Surplus	280,000	170,000	100,000	80,000	80,000	80,000
8	Revenue Support Grant	623,404	223,284	0	0	0	0
9	Localised Business Rates	1,508,000	1,537,000	1,583,000	1,634,000	1,684,000	1,734,000
10	Funding from Rural Services Delivery Grant	461,498	372,638	286,645	372,638	250,000	250,000
11	Funding from New Homes Bonus	1,000,000	700,000	500,000	400,000	400,000	400,000
12	Funding from Transition Grant	30,803	30,689	0	0	0	0
13	Less: Contribution to Strategic Change Earmarked Reserve (T18)	-192,000	-277,000	-237,000	-152,000	-50,000	-50,000
14	Less: Contribution to Budget Surplus Contingency Earmarked Reserve	-669,292					
15	Total Projected Funding Sources	7,253,325	7,131,707	6,774,926	7,047,105	7,249,652	7,475,836
	Budget (surplus)/ gap per year						
16	(Projected Expenditure line 5 - Projected Funding line 15)	0	40,617	641,781	-110,177	-174,724	-189,908

Less: Contribution of Budget Surplus to an Earmarked Reserve for one-off investment. (This means a total of £474,809 is available for one-off investment for the five year period)					110,177	174,724	189,908
Resulting Budget Gap/(Budget Surplus)		40,617	641,781	0	0	-189,908	
Actual Predicted Cumulative Budget Gap (Assumes any Budget Surpluses are used for one-off investment in the year they occur and that budget surpluses are used in the following year as a saving - shown in Line 4)		40,617	682,398	682,398	682,398	682,398	492,490
<i>Possible Cumulative Budget Gap</i> (including possible future savings which are not yet confirmed, as shown in grey on Appendix A and in Section 7.6)		0	596,398	596,398	596,398	596,398	140,489

(In the last year the saving reduces the overall cumulative budget gap)

Modelling Assumptions:	An assumption of an additional 300 Band D equivalent properties per year has been included in the TaxBase and modelling above for 2017/18 onwards					
Council Tax (Band D) (an increase of £5 per annum has been modelled)	213.39	218.39	223.39	228.39	233.39	238.39
Council TaxBase	19,733.41	20,033.41	20,333.41	20,633.41	20,933.41	21,233.41

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APPENDIX C

LGA - TOP TIPS FROM THE LOCAL GOVERNMENT SECTOR ON PREPARING AND SUBMITTING AN EFFICIENCY PLAN

This is the first in what we hope will be a series of 'Top Tips' notes published by CIPFA and the LGA to share good practice in financial management, prepared by the local government sector, for the sector.

These top tips were put together as a result of a workshop held at CIPFA Offices, Mansell Street, London on 8th June, 2016 attended by 30 local government delegates.

This is not guidance, but a synopsis of opinion from those present which we hope will be useful to councils in deciding what to submit.

We were supported on the day by DCLG which should ensure that these 'top tips' are not at odds with what Ministers are currently thinking, but DCLG has not approved these top tips and Ministers will not be bound by them, although we hope they will take them into account.

Similarly we know that not all authorities favour or support the Government's multi-year settlement offer. Some think it is too little, too late. These top tips are not a call from CIPFA and the LGA to take up the government offer - that is entirely a matter for local determination.

Background:

Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing/ timing of these cuts to different authority types, can make it very difficult for authorities to plan their spending priorities strategically. For some there may even be a risk of balancing their budget¹ at all over the upcoming spending review period. The need for effective medium term planning has never been stronger.

¹ Read CIPFA Insight 'balancing local authority budgets <http://www.cipfa.org/cipfa-thinks/insight>

Efficiency Plans (4 year settlement guarantee):

The government's response to these concerns from the sector has been an offer a guaranteed minimum grant envelope, paid to councils for a 4-year period from April 2016 covering Revenue Support Grant, transitional funding and Rural Services Delivery Grant. This, the Secretary of State said, should increase local authority certainty and confidence and would be a key step towards supporting councils to strengthen financial management and work collaboratively with local partners when considering the way local services are provided in future.

Councils should read these 'Top Tips' alongside the Secretary of State's letter to Council leaders dated 10th March 2016.

To take advantage of this offer each authority needs to submit an efficiency plan². The Secretary of State has not issued guidance on what an efficiency plan should contain, a development that local government broadly welcomes. In discussion with DCLG officials, however, we agreed that we would glean some best practice 'top tips' from local government so that the sector, in effect, is advising itself.

2 The deadline for an efficiency plan submission to DCLG is 14th October, 2016

3 Letter from Mike Penning MP (Minister for Police, Fire, CJ & Victims) to all Fire Authority Chairs (24th May)

This note does not cover Fire and Rescue Authorities for which the Home Office³ has issued their own more detailed guidance and expectations.

Top Tips

What is an efficiency plan?

Every council in the country is different. Each will have its own vision, policies, opportunities and challenges and each will be at a different stage in its journey to financial sustainability.

So no two efficiency plans are likely to focus on the same things; have common aims or include the same reports. Each council should therefore be judged on its own merits when reviewing their plans. How clear are their targets? What role partnership working is expected to take? Aspirations around any transformation programmes? How are councils planning to achieve their efficiencies? Is there clear ownership and accountability? And is there robustness around the management, monitoring and measurement of outcomes?

The way a council chooses to put this story together in their efficiency plan remains for them to decide, as is the supporting documents that they would choose to include.

Content

☒ The cornerstone of the efficiency plan is probably the Medium Term Financial Plan (MTFP) or Strategy (MTFS) for the four years of the offer. Not just the numbers in a table but a short narrative that sets out what a council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period. An efficiency plan needs to be about more than just money.

☒ Most practitioners favour a short 2 – 4 page narrative, with typical documents to support this narrative to include its latest budget, corporate plan, transformation plan, asset-management plan and baseline organisational structure.

☒ It follows that an efficiency plan needs to have clear links to the Council's corporate plan and where the authority is involved in key partnerships, such as shared management arrangements or progress towards a combined authority. It should acknowledge any links with partner organisations and plans that this entails.

☒ It also needs to reference ongoing and planned transformation projects and programmes where these are significant in ensuring the council reduces its costs or generates additional income locally.

☐ However, an efficiency plan need not be any more than an ‘abridged version’ of key/ existing public documents already put together by a council. Most councils should not find themselves doing a major piece of extra work to deliver an efficiency plan.

☐ Councils could consider presenting the efficiency plan by theme, for example, what it is doing to grow its local economy, to bear down on costs, to manage current and future demand or to re-forge its ‘contract’ with local residents.

Who Owns the Plan?

☐ The efficiency plan provides an opportunity for a council to consider and evaluate the key components of a good service and financial strategy and serve as a prompt to start doing things which in themselves will aid the planning and performance of the council. But councils should focus on what works for them and their communities not simply on what might be acceptable to Ministers.

☐ The Efficiency Plan needs political buy-in, which in most cases will have been achieved by the fact that it is composed to reflect existing policies and largely from existing documentation. It will be a matter for councils to decide what process needs to be gone through to achieve approval.

☐ It is likely to be helpful if the efficiency plan is submitted jointly by the Chief Executive and council leader setting out the organisation’s plans over the next four years; its commitment towards delivering these plans and a clear narrative on what reports and supporting documents have been included in the plan, and why.

☐ A sign off from the Chief Finance Officer could be incorporated if it is felt necessary to back up the plan with an implicit statement that it is likely to achieve and sustain a balanced budget position.

Risks to delivery

☐ It should be acceptable for efficiency plans to point out that circumstances and policies can change, especially where there are local elections during the period of the plan, and for plans to include broad forecasts in later years where decisions have yet to be taken.

☐ Where an authority has undertaken any financial management modelling and a risk assessment around its delivery, this could also be submitted to evidence monitoring arrangements and mitigation plans.

☒ Should the council's current MTFS be shorter than the 4-year settlement period, the efficiency plan should be considered as an opportunity to extend it, to link service delivery with the Council's funding expectations. This may prove especially key for those authorities at most risk of an unbalanced budget throughout this period, although a decision and discretion to do this, should remain with the council.

☒ Some major funding streams are not covered by the multi-year offer while costs remain subject to unpredictable pressures. The Efficiency Plan therefore needs to allow for risk and provide for sufficient reserves and contingencies to allow those risks to be managed.

☒ The council should therefore consider submitting a statement about its current level of reserves and how they are expected to move over the period of the plan along with the internal policies around which these reserves are currently operating.

☒ All documents submitted will typically outline ownership and governance arrangements assigned to each, especially where a service is delivered in partnership with another organisation or is co-opted as part of a combined authority.

☒ Any other internal report or policy statement should be included, where an authority believes it supports and underpins the 2-4 page efficiency narrative signed off by the council.

The Efficiency Plan itself – What it is not:

☒ It should not simply be a stand-alone MTFS submission to DCLG but requires other documents and further reading to fully understand a council's current plans and aspirations

☒ It should not be a plan that requires additional reports or documents (not currently available to a council) to be compiled – although it might prove a useful checklist to an authority on what it perhaps should be doing but is not.

☒ It should not be a defined list of documents that every council in the country is simply asked to submit.

CIPFA / Local Government Association

June 2016

APPENDIX D

West Devon Borough Council - Budget Timetable for 2017/18 onwards

Date	Committee
20th September 16	Hub Committee – To consider the draft Medium Term Financial Strategy (MTFS)
3 rd October 16	Members’ Budget Workshop – To carry out a full review of the MTFS
8 November 16	Overview and Scrutiny Committee – To consider the outcome of the Members’ Budget Workshop and progress on the budget proposals for 2017/18.
29 November 16	Hub Committee – Draft Budget Proposals for 2017/18
17 January 2017	Joint Overview & Scrutiny Committee – To comment on the Draft Budget Proposals for 2017/18
24 January 17	Hub Committee – To recommend Final Budget Proposals to Council for 2017/18
2 February 17	Date which Council Procedure Rule 16 applies
7 February 17	Full Council – To approve Final Budget Proposals for 2017/18 and set the WDBC share of the Council Tax
21 February 17	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2017/18 (This is WDBC share plus all other precepting authorities share).

Note 1- Council Procedure Rule 16 states that ‘Where a member intends to move a motion or amendment in relation to the Budget, the text of that motion or amendment must be put in writing and submitted to the Head of Paid Service by 9am on the third working day before the meeting, in order that officers may have sufficient time to consider and advise the Council of the financial implications of any such motion or amendment’. As per the timetable above, this would need to be submitted by 9am on Thursday 2nd February.

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Council Tax Support Grant For Towns & Parishes - Indicative figures 2017/18 - 2019/20

<u>Parish/Town</u>	Council Tax Support Grant allocation for 2016/17	Illustrative Grant Reduction of 8.60%	Indicative Council Tax Support Grant allocation for 2017/18	Illustrative Grant Reduction of 8.60%	Indicative Council Tax Support Grant allocation for 2018/19	Illustrative Grant Reduction of 8.60%	Indicative Council Tax Support Grant allocation for 2019/20
	£	£	£	£	£	£	£
1 Beaworthy	47	4	43	4	39	3	36
2 Belstone	44	4	40	3	37	3	34
3 Bere Ferrers	4,810	414	4,396	378	4,018	346	3,672
4 Bondleigh	7	1	6	1	5	-	5
5 Bratton Clovelly	163	14	149	13	136	12	124
6 Brentor	213	18	195	17	178	15	163
7 Bridestowe	390	34	356	31	325	28	297
8 Broadwoodkelly	102	9	93	8	85	7	78
9 Buckland Monachorum	1,253	108	1,145	98	1,047	90	957
10 Burrator	140	12	128	11	117	10	107
11 Chagford	1,526	131	1,395	120	1,275	110	1,165
12 Dartmoor Forest	1,245	107	1,138	98	1,040	89	951
13 Drewsteignton	702	60	642	55	587	50	537
14 Exbourne & Jacobstowe	192	17	175	15	160	14	146
15 Germansweek	35	3	32	3	29	2	27
16 Gidleigh	0	-	0	-	0	-	0
17 Gulworthy	173	15	158	14	144	12	132
18 Hatherleigh	1,700	146	1,554	134	1,420	122	1,298
19 Highampton	126	11	115	10	105	9	96
20 Horrabridge	1,656	142	1,514	130	1,384	119	1,265
21 Iddesleigh	59	5	54	5	49	4	45
22 Inwardleigh	195	17	178	15	163	14	149
23 Kelly	23	2	21	2	19	2	17
24 Lamerton	274	24	250	22	228	20	208
25 Lewdown	103	9	94	8	86	7	79
26 Lifton	797	69	728	63	665	57	608
27 Lydford	181	16	165	14	151	13	138
28 Mary Tavy	814	70	744	64	680	58	622
29 Meeth	47	4	43	4	39	3	36
30 Milton Abbot	163	14	149	13	136	12	124
31 Monkokehampton	51	4	47	4	43	4	39
32 North Tawton	4,665	401	4,264	367	3,897	335	3,562
33 Northlew	397	34	363	31	332	29	303
34 Okehampton Town	18,050	1,552	16,498	1,419	15,079	1,297	13,782
35 Okehampton Hamlets	289	25	264	23	241	21	220
36 Peter Tavy	186	16	170	15	155	13	142
37 Plasterdown	83	7	76	7	69	6	63
38 Sampford Courtenay	328	28	300	26	274	24	250
39 Sourton	247	21	226	19	207	18	189
40 South Tawton	704	61	643	55	588	51	537
41 Spreyton	88	8	80	7	73	6	67
42 Sticklepath	148	13	135	12	123	11	112
43 Stowford	60	5	55	5	50	4	46
44 Sydenham Damerel	16	1	15	1	14	1	13
45 Tavistock	34,929	3,004	31,925	2,746	29,179	2,509	26,670
46 Throwleigh	88	8	80	7	73	6	67
	77,509	6,668	70,841	6,097	64,744	5,566	59,178

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Sensitivity analysis and risk analysis of the Medium Term Financial Strategy (MTFS)

1. The budget assumes approximately £1.8 million of income from fees and charges, recycling and investments. Whilst this assumption is realistic, given the position of the economy there is a risk that income could fall or be less than anticipated. A 5% reduction in income would result in a loss of £90,000.
2. The MTFS relies on proposed savings over the next 5 years of £725,000. A 5% reduction in the savings would equate to £36,250.
3. The MTFS assumes budget pressures over the next 5 years of £1.44 million. A 5% increase in the budget pressures would equate to £72,000.
4. Council Tax Income and New Homes Bonus have been modelled based on an extra 300 Band D Equivalent properties per annum increase. Each extra property attracts just under £1,200 in NHB. If this figure were to actually be say 250 properties (i.e. 50 properties less), this would mean that Council Tax Income would be £10,900 less and New Homes Bonus income would be £60,000 less.
5. Council Tax has been assumed in the MTFS to increase by £5 per annum to £218.39 in 2017/18. The additional council tax income this would generate is £100,000. If council tax for 2017/18 were to remain at £213.39, the income from council tax would be overstated by this amount in the MTFS.
6. If Council Tax income collection fell by 1% (collection in 15/16 was 97.37%), this would mean a reduction of council tax income of £43,000. Similarly if Business Rates income collection fell by 1% (collection in 15/16 was 98.76%), this would mean a reduction in business rates income of £15,000.
7. Income from investments has been assumed to increase in line with the expected interest rate forecasts in Section 3 - i.e. 0.5% in 2017/18 and rising to 0.75% by 2020/21. A 0.25% variation in interest rates on investment income equates to £20,000.
8. An allowance of 2% for inflation is included in the budget. Inflation costs are being managed through cost effective procurement.

9. The capital programme is funded by receipts, grants, and contributions. Realistic assumptions about these have been made for the future.
10. Known liabilities have been provided for and there are no significant outstanding claims.

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2017/18 of £447,150. However, revenue reserves are recommended to be maintained at a minimum of £750,000. I therefore confirm the robustness of the Medium Term Financial Strategy and the adequacy of the reserves.

Mrs Lisa Buckle, Finance Community of Practice Lead (S151 Officer)

RESERVES - PROJECTED BALANCES					
	Opening balance	Additions to the	Predicted spend	Projected balance	
	1 April 2016	Reserve	to 31.3.2017	31.3.2017	Comments
	£000		£000	£000	
EARMARKED RESERVES					
Specific Reserves - General Fund					
Business Rates Retention Scheme	(844)		100	(744)	This reserve will be used to offset the balance on the Collection Fund. This relates to a timing issue on the accounting adjustments required for the localisation of business rates.
Car Parking Maintenance	(408)			(408)	
Budget Surplus Contingency reserve		(669)	60	(609)	This is the Budget Surplus from 2016/17 which was put into an Earmarked Reserve. Commitment of £127,500 for LACC set up costs.
Innovation Fund (Invest to Earn) reserve		(922)	18	(904)	Yr 1 funding of development surveyor - see 10.6
T18 Strategic Change Reserve	0	(192)	192	0	To meet redundancy and pension strain costs (one off investment costs funded by savings).
Local Authority Business Growth Incentive (LABGI)	(25)		25	0	
Habitats Earmarked Reserve	(15)		15	0	Biodiversity
Cannons Meadow	(19)		3	(16)	Written down to revenue annually
County Election	(24)			(24)	
Landscape Maintenance	(5)			(5)	
Fifth Wave Neighbourhood Front Runners	(65)		25	(40)	
DCLG Business Support Scheme	(13)		13	0	
DCC Public Health	(25)		25	0	
Devon County Council - TAP Funds	(64)	(40)	30	(74)	
Economic Grant Initiatives	(16)		16	0	
Flood Works	(20)		20	0	
Homelessness Prevention	(30)		30	0	A new reserve set up to cover additional costs in the winter months.
New Homes Bonus 2014-15	(446)		446	0	Funding transferred to Invest to Earn reserve - previously funding allocated for affordable housing
New Homes Bonus 2015-16	(251)		140	(111)	Hub Committee 7th June 16 - £216K to fund transitional staffing resources and £29K to fund two Case Managers for Disabled Facilities Grants.
New Homes Bonus 2016-17		(1,745)	1,400	(345)	£1 million to fund the revenue budget. Other funds are funding the capital programme and £300K transferred to Invest to Earn earmarked reserve.
Planning Enforcement	(45)		45	0	To fund planning enforcement team
Other Reserves below £15,000	(80)		40	(40)	
TOTAL EARMARKED RESERVES	(2,395)	(3,568)	2,643	(3,320)	
TOTAL UNEARMARKED RESERVES	(1,055)			(1,055)	As per Final Accounts 2015-16
TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)	(3,450)	(3,568)	2,643	(4,375)	

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Agenda Item 6

Report to: **Hub Committee**
Date: **20th September 2016**
Title: **Write Off Report**
Portfolio Area: **Resources and Performance**
Wards Affected: **All**
Relevant Scrutiny Committee: Internal O&S

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

Author: **Lisa Buckle** Role: **Section 151 Officer**

Contact: **Ext. 3644 lisa.buckle@swdevon.gov.uk**

Recommendations:

The Committee notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual West Devon Borough Council debts totalling £16,651.92 as detailed in Tables 1 and 2.

The Committee approves the write off of individual debts in excess of £5,000 totalling £23,660.98 as detailed in Table 3.

1. Executive summary

The Council is responsible for the collection of: Sundry Debts including Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates.

The report informs members of the debt written off for these revenue streams. Debts up to the value of £5,000 being written off by the s151 Officer, under delegated authority. Permission needs to be sought from the Committee to write off individual debts with a value of more than £5,000.

This report covers the period 1st April 2016 to 30th June 2016.

2. Background

The Council's sound financial management arrangements underpin delivery of all the Council's priorities, including the commitment to providing value for money services.

This report forms part of the formal debt write-off procedures included in these financial arrangements.

West Devon Borough Council's collection rates for 2015/16 were; Council Tax 97.4% & Business Rates 98.8%.

In the first quarter of 2016/17 the Council has collected £10.4 million in Council Tax and £3.7 million in Business Rates. The total collectable debt for 2016/17 (as at 30th June) for Council Tax is £35.5 million and for Business Rates is £11.6 million.

Debts are recovered in accordance with the Council's Recovery Policy which is published on our website.

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £1,733,376. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.

All debts, taxes and rates within the Service's control are actively pursued, and in most instances are collected with little difficulty. In cases where payment is not received on time, a reminder will be issued promptly to the debtor. If this fails to secure payment, a final reminder and/or a summons will also be issued and if necessary the debt passed to an appropriate collection agent such as the Civil Enforcement Agents or the Council's Legal Department in order to secure payment.

Sometimes, however, if the debtor is having difficulty making the payment, special arrangements are used to effect recovery, and this may mean extending the period of time to collect the debt.

In some cases pursuit of an outstanding debt is not possible for a variety of reasons, such as bankruptcy or liquidation and such cases with arrears under £5,000 are written off by the Section 151 Officer under delegated authority. Cases where the debt exceeds £5,000 must, however, be approved by the Committee prior to the debt being written off.

Comprehensive Impact Assessment Implications		
Equality and Diversity		All enforcement action that is taken prior to this point is undertaken in accordance with legislation and accepted procedures to ensure no discrimination takes place.
Safeguarding		None
Community Safety, Crime and Disorder		None
Health, Safety and Wellbeing		None
Other implications		A bad debt provision is built into the financial management of the Authority

Supporting Information

Appendices:

Table 1 – Council debt under £5,000 written off by the Section 151 Officer

Table 2 – Non-Domestic Rate debt under £5,000 written off by the Section 151 Officer

Table 3 – Summary of items over £5,000 where permission to write off is requested

Table 4 – National & Local Collection Statistics re 2015 / 16 Collection Rates

Table 5 – Quarterly income in 2015 / 16 relating to all years

Table 6 – Previous Year Write Off Totals

Background Papers:

Section 151 Local Government Act 1972

Section 44 Local Government Finance Act 1988 (Non Domestic Rate)

Section 14 Local Government Finance Act 1992 (Council Tax)

Recovery Policy

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes

If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	Yes
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TABLE 1 SUMMARY OF WEST DEVON BOROUGH COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 1	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	14	Overpaid Entitlement	7,329.30	14	7,329.30	34	14,329.49	76	27,451.60
COUNCIL TAX BENEFIT	1	Bankruptcy/DRO/IVA/CVA etc	112.40	1	112.40	-	-	1	137.40
	-	Deceased	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-	-
	-	Absconded	-	-	-	4	3,459.91	6	4,134.02
	5	Not Cost Effective to Pursue	567.85	5	567.85	5	8.27	13	322.25
	-	Uncollectable Old Debt	-	-	-	6	5,210.62	9	5,754.73
Total	20		8,009.55	20	8,009.55	49	23,008.29	105	37,800.00
COUNCIL TAX	1	Absconded	383.14	1	383.14	26	18,206.99	39	25,744.67
	4	Bankruptcy/DRO/IVA/CVA etc	3,271.14	4	3,271.14	12	16,801.93	32	28,826.08
	1	Deceased	2,513.75	1	2,513.75	2	3,029.31	3	3,188.73
	3	Other	2,474.34	3	2,474.34	2	1,943.44	3	2,133.96
	-	Small Balance	-	-	-	4	143.06	9	265.88
	-	Uncollectable Old Debt	-	-	-	-	-	-	-
	-	Administration	-	-	-	-	-	-	-
Total	9		8,642.37	9	8,642.37	46	40,124.73	86	60,159.32
SUNDRY DEBTS	-	Small Balance	-	-	-	1	0.15	1	0.15
	-	Bankrupt/DRO/IVA/CVA etc	-	-	-	-	-	-	-
	-	Not Cost Effective to Pursue	-	-	-	1	60.00	1	60.00
	-	Uncollectable Old Debt	-	-	-	-	-	2	960.00
	-	Absconded	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	5	2,000.00
Total	-		-	-	-	2	60.15	9	3,020.15
Grand Total	29		16,651.92	29	16,651.92	97	63,193.17	200	100,979.47

**Breakdown of Absconded Council Tax Debt
(Some cases have debts over more than one year)**

Year	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	Pre 2007/08	Total
Value				383.14								383.14
Number				1								1

TABLE 2 SUMMARY OF NON DOMESTIC RATE DEBT UNDER £5,000 WRITTEN OFF BY THE S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 1	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	Bankruptcy/DRO/IVA/CVA etc	-	-	-	1	1,582.78	1	1,582.78
	-	Absconded	-	-	-	-	-	1	1,000.53
	-	Deceased	-	-	-	-	-	-	-
	-	Liquidation	-	-	-	-	-	4	3,310.15
	-	Other	-	-	-	1	756.54	1	756.54
	-	Small Balance	-	-	-	-	-	-	-
	-	Uncollectable Old Debt	-	-	-	-	-	-	-
	-	Administrative Receivership	-	-	-	-	-	-	-
Total			-	-	-	2	2,339.32	7	6,650.00

TABLE 3 SUMMARY OF ITEMS OVER £5000 WHERE PERMISSION TO WRITE OFF IS REQUESTED

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 1	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	Liquidation	-	-	-	1	9,559.16	3	29,217.16
	-	Administrative Receivership	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy/DRO/IVA/CVA etc	-	-	-	-	-	-	-
	-	Deceased	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-	-
Total			-	-	-	1	9,559.16	3	29,217.16
HOUSING BENEFIT	-	Bankruptcy/DRO/IVA/CVA etc	-	-	-	1	5,898.04	1	5,898.04
	1	Overpaid Entitlement	17,821.39	1	17,821.39	1	9,787.06	1	9,787.06
	1	Deceased	5,839.59	1	5,839.59	-	-	-	-
Total	2		23,660.98	2	23,660.98	2	15,685.10	2	15,685.10
COUNCIL TAX	-	Bankruptcy/DRO/IVA etc.	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-
Grand Total	2		23,660.98	2	23,660.98	3	25,244.26	5	44,902.26

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2015-16 COLLECTION RATES

Total amount collected in 2015-16 relating to 2015-16 financial year only (net of refunds relating to 2015-16)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 15/16 - £000s	Net Cash Collected* i.r.o. 15/16 - £000s	Amount Collected i.r.o. 15/16 - %age	Collectable Debit i.r.o. 15/16 - £000s	Net Cash Collected* i.r.o. 15/16 - £000s	Amount Collected i.r.o. 15/16 - %age
All England	25,521,990	24,781,788	97.1	24,056,816	23,621,127	98.2
Shire Districts	11,687,667	11,455,297	98.0	7,797,294	7,677,010	98.5
East Devon	88,917	87,973	98.9	33,134	32,414	97.8
Exeter	55,246	53,310	96.5	79,238	78,123	98.6
Mid Devon	44,888	44,020	98.1	15,579	15,436	99.1
North Devon	52,351	50,837	97.1	32,936	32,194	97.7
Plymouth	108,365	104,837	96.7	91,540	91,053	99.5
South Hams	60,131	59,032	98.2	31,887	31,308	98.2
Teignbridge	75,440	74,256	98.4	32,516	32,065	98.6
Torbay	67,254	64,344	95.7	37,666	36,040	95.7
Torridge	36,621	36,028	98.4	11,132	10,956	98.4
West Devon	34,009	33,113	97.4	10,847	10,713	98.8

* Net Cash Collected is total 2015-16 receipts net of refunds paid, in respect of 2015-16 only

TABLE 5 QUARTERLY INCOME IN 2015-16 RELATING TO ALL YEARS

Total amount collected in 2015-16 relating to any financial year (net of all refunds in 2015-16)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	10,011	3,398
Quarter 2 - Receipts collected between 1 st July – 30 th September	9,395	3,140
Quarter 3 - Receipts collected between 1 st October – 1 st December	9,481	2,549
Quarter 4 - Receipts collected between 1 st January – 31 st March	4,530	1,428

* Net Cash Collected is total receipts in 2015-16 net of refunds paid, irrespective of the financial year (previous, current or future years) to which they relate

TABLE 6 PREVIOUS YEAR WRITE OFF TOTALS

		2015 - 16	2014 - 15	2013- 14	2012 - 13	2011 - 12
HOUSING BENEFIT	Under £5,000 cases	37,800.00	77,477.87	48,315.96	47,636.80	21,103.31
HOUSING BENEFIT	£5,000 or over cases	15,685.10	25,488.58	0.00	0.00	0.00
Total		53,485.10	102,966.45	48,315.96	47,636.80	21,103.31
COUNCIL TAX	Under £5,000 cases	60,159.32	67,271.83	33,385.96	199,475.48	133,748.27
COUNCIL TAX	£5,000 or over cases	0.00	5,265.60	15,940.10	25,924.46	5,658.27
Total		60,159.32	72,537.43	49,326.06	225,399.94	139,406.54
SUNDRY DEBTS	Under £5,000 cases	3,020.15	887.47	818.09	4,449.99	5,719.72
SUNDRY DEBTS	£5,000 or over cases	-	0.00	0.00	0.00	0.00
Total		3,020.15	887.47	818.09	4,449.99	5,719.72
NON DOMESTIC RATES	Under £5,000 cases	6,650.00	17,699.12	35,095.48	18,780.31	32,463.90
NON DOMESTIC RATES	£5,000 or over cases	29,217.16	89,506.07	38,882.41	26,680.71	55,949.62
Total		35,867.16	107,205.19	73,977.89	45,461.02	88,413.52
GRAND TOTAL		152,531.73	283,596.54	172,438.00	322,947.75	254,643.09

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Agenda Item 7

At a Meeting of the **OVERVIEW & SCRUTINY (INTERNAL) COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **19th** day of **JULY 2016** at **2.00pm**.

Present:

Cllr C R Musgrave – Chairman
Cllr J Yelland – Vice-Chairman
Cllr W G Cann OBE Cllr M Davies
Cllr J Evans Cllr P Kimber
Cllr C Mott Cllr D E Moyse
Cllr P J Ridgers

Head of Paid Service
Executive Delivery (Service Delivery and
Commercial Development)
Group Manager – Support Services
Group Manager – Business Development
Section 151 Officer
Senior Specialist – Democratic Services

Also in Attendance:

Cllrs K Ball, D W Cloke, C Edmonds, A F
Leech, G Parker and P R Sanders

***O&S(I) 11 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs L J G Hockridge and J R McInnes.

***O&S(I) 12 CONFIRMATION OF MINUTES**

The minutes of the Meeting held on 14 June 2016 were confirmed and signed by the Chairman as a correct record.

***O&S(I) 13 DECLARATIONS OF INTEREST**

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

***O&S(I) 14 PUBLIC FORUM**

It was noted that no issues had been raised by the general public.

***O&S(I) 15 HUB COMMITTEE FORWARD PLAN**

The most recent (published June 2016) Hub Committee Forward Plan was presented for consideration and was duly noted without any issues being raised.

***O&S(I) 16 T18 BUDGET MONITORING REPORT TO END OF MARCH 2016**

A report was presented that set out the revenue position of the T18 Programme at the end of March 2016. It was noted that a version of this report had also been considered at the Hub Committee meeting held on 12 July 2016 (Minute HC 11 refers).

In discussion, the following points were raised-

- (a) With regard to workstream T4: 'Web/Portal', the Committee was advised that this had been extended to include the purchase of a new Council website. It was intended that the new website (that would be funded from within the IT equipment savings budget) would be cloud based and would be quicker and more responsive for its users.

Specifically regarding the number of web pages currently available on the website, it was noted that, as part of the recent transitional resources report, a temporary post was to be filled that would be responsible for reducing and streamlining the content that was published;

- (b) As an update to workstream T5: 'Telephony', officers confirmed that a new telephony system had been purchased. Within the next two weeks, it was also noted that one of the telephone lines would be running on this new system. Once officers were content that the system was set up and working satisfactorily, the handover plan would take effect and all lines would be switched over to the new system over the course of a weekend. When questioned, officers gave an assurance that these changes (once in place) would be advertised and publicised widely as part of a Communications Strategy;
- (c) Officers were invited to provide a detailed explanation of the cost allocations and apportionments of the Programme between the Council and South Hams District Council. The Section 151 Officer explained the processes and confirmed that the Council's new external auditors (KPMG) would also be reviewing the processes and methodology used as part of the annual audit of the Accounts. It was explained that KPMG would report on their findings to the Audit Committee meeting on 27 September 2016;
- (d) In terms of the total expenditure for the Programme, officers confirmed that the figures outlined in the presented agenda report were the final totals. As and when future expenditure was being sought for other potential projects, a business case would be presented to Members for their consideration.

Particularly when considering the extent of the changes, a Member felt that the Senior Leadership Team should be congratulated that the Programme had been delivered for less than the agreed budget. Whilst there were still ongoing difficulties associated with the Programme, the Member was reassured that the Senior Leadership Team had demonstrated its ability to deliver such extensive change.

It was then **RESOLVED** that progress to date on the T18 Transformation Programme be noted.

*O&S(I) 17 TASK AND FINISH GROUP UPDATES

(a) T18 Programme – Interim Review: Draft Terms of Reference

The Committee was reminded that the Council approved the following recommendation at its meeting held on 28 June 2016 (Minute CM 21a (iii) refers):

‘That the Overview and Scrutiny (Internal) Committee be requested to undertake an interim review of the T18 Programme, with the Terms of Reference for this Review being agreed by the Executive Director (Strategy and Commissioning), in consultation with the Lead Member for Customer First and the Lead Member for Economy.’

Since this decision and, in consultation with the relevant lead Members, the Executive Director (Strategy and Commissioning) had drafted a set of proposed Terms of Reference as follows:

“The Overview and Scrutiny (Internal) Committee is requested to undertake an interim review of the T18 programme. In undertaking the review, the Task and Finish Group is asked to focus on the:

- *timescales of the programme and the reasons for these;*
- *capacity during transition;*
- *leadership and continuity from 2104 until present;*
- *approach to project management; and*
- *impact on service delivery.*

The review should be conducted in a way that highlights what went well and what could have been done better, does not allocate blame but provides a report that is based on lessons learnt.”

During the ensuing debate, reference was made to:-

- (a) the importance of the terms of reference being appropriate for the review to be effective. In addition, some Members emphasised that the review needed to be robust and challenging;
- (b) the need for swift progress to be made on this review was recognised by all Members;
- (c) an addition to the draft terms of reference. It was **PROPOSED** and **SECONDED** that the following addition should be included at the end of the final sentence in the draft terms of reference:

‘and how these lessons learnt are being applied.’

When put to the vote, this addition was declared **CARRIED**.

It was then **RESOLVED** that:

1. The broad terms of reference (as outlined above, subject to inclusion of the addition at discussion point (b)) be approved as the basis for this Review; and
2. Cllrs Davies, Evans, Mott, Musgrave, Ridgers and Yelland be nominated to serve on this Task and Finish Group.

O&S(I) 18 MEMBER DEVELOPMENT STEERING GROUP – PROGRESS UPDATE AND INDUCTION REVIEW

The Committee considered a report that presented a series of recommendations from the Member Development Steering Group.

The Chairman of the Steering Group proceeded to introduce the report and responded to Member questions.

In the subsequent discussion, the following points were raised-

- (a) The Chairman of the Steering Group confirmed that there were no cost implications associated with pursuing the South West Charter Status for Member Development;
- (b) Members endorsed a suggestion whereby a standing agenda item should be included for future Committee meetings that acted as a prompt for any future Member Learning and Development opportunities that arose from each meeting;
- (c) Whilst acknowledging that the Member Induction Programme was a largely generic document, it was noted that the future Member Learning and Development Plan would have the ability to cater for the individual needs of all Members;
- (d) Specifically regarding the revised Induction Programme, a number of Members commended its content and wished to put on record their thanks to the Steering Group and lead officer for taking on board the feedback of the wider membership and for producing such an excellent piece of work.

It was then:

RESOLVED

That the Committee:

1. note the progress made by the Steering Group to date; and

2. request a standing agenda item be included for future Committee meetings that acts as a prompt for any future Member Learning and Development opportunities that arose from each meeting.

That the Hub Committee be **RECOMMENDED** to:

3. approve the future Member Induction Programme (as attached at Appendix A of the presented agenda report), subject to delegated authority being granted to the Senior Specialist – Democratic Services, in consultation with the Member Development Steering Group and Group Leaders, to make any necessary minor amendments;
4. approve the principle of a Member Learning and Development Plan, with responsibility for its content and monitoring being delegated to the Senior Specialist – Democratic Services, in consultation with the Member Development Steering Group; and
5. support the pursuing of the South West Charter Status for Member Development accreditation.

***O&S(I) 19 COMMITTEE DECISIONS LOG**

The latest version of the Committee decisions log was presented to the meeting and, with no debate or discussion, it was:

RESOLVED

That the published Decisions Log be noted.

***O&S(I) 20 DRAFT WORK PROGRAMME 2016/17**

The Committee took the opportunity to express its views in relation to its 2016/17 Work Programme and proceeded to note the content of the latest draft (as presented in the published agenda papers) without the need for any revisions at this time.

(The meeting terminated at 2.55 pm)

Chairman

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