

West Devon Hub Committee



West Devon
Borough
Council

Title:	Agenda
Date:	Tuesday, 24th January, 2017
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> Cllr Benson Cllr Parker Cllr Edmonds Cllr Sampson Cllr Moody Cllr Samuel Cllr Oxborough</p>
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 - 4

Minutes of meeting held 19 December 2016

5. Revenue and Capital Budget Proposals for 2017/18 (Cllr Sanders)

5 - 64

6. Local Authority Controlled Company Proposals (Cllr Sanders)

Report to follow

7. Investment Options (Cllr Baldwin)

65 - 80

8. ICT Strategy 2017-2019 (Cllr Edmonds)

81 - 104

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 **19th** day of **DECEMBER, 2016** at **10.30am**

Present: Cllr P R Sanders – Chairman

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

Apologies: Cllr R E Baldwin – Vice-Chairman
Cllr J B Moody
Cllr R J Oxborough

In attendance: Executive Director (Strategy and Commissioning)
Executive Director (Service Delivery and Commercial Development)
COP Lead Finance and s151 Officer
Operational Manager Environment Services
Specialist Affordable Housing
Group Manager Commercial Services
Group Manager Business Development
Specialist Democratic Services

Other Members in attendance:

Cllrs Cheadle, Cloke, Evans, Leech, McInnes, Musgrave, Pearce and Yelland

***HC 42 DECLARATIONS OF INTEREST**
Members were invited to declare any interests in the items of business to be discussed but none were made.

***HC 43 MINUTES**
The Minutes of the Hub Committee Meeting held on 29th November, 2016 were confirmed and signed by the Chairman as a correct record.

***HC 44 REVENUE AND CAPITAL BUDGET PROPOSALS REPORT 2017-18**
Members were presented with a report that set out how the Council's Medium Term Financial Strategy was based on a financial forecast over a rolling five year timeframe to 2021/22 which would help to ensure resources were aligned to the outcomes in Our Plan. The forecast was intended to provide a framework within which decisions could be made regarding the future service provision and council tax levels whilst building an approach that guaranteed West Devon Borough Council's longer term viability.

The Leader presented the report, and the s151 Officer outlined how the presented report should now be updated, following receipt of information from central government in relation to the Funding Settlement and New Homes Bonus. The s151 Officer took Members through the report and noted how the information specifically affected West Devon Borough Council. For example, in respect of the changes to the New Homes Bonus, whereby the sixth year of funding dropped off from next year, the cost to the Council was in the region of £568,000 for 2017/18. The proposed changes to the New Homes Bonus scheme nationwide would net the government £241m, which would be used to support the Adult Social Care Support Grant.

Further, from 2018/19, the government would consider withholding payments from local authorities who fail to plan effectively and make positive decisions on planning applications that would support housing growth.

The Specialist Affordable Housing advised the Committee how the revised figures for the Capital Programme may affect the Affordable Housing Bid in the Capital Programme. The Committee also discussed the Village Halls and Community Projects Bid in more detail and Members were keen to ensure that, in light of the recent decision to reduce funding to Villages In Action, that funds to support Community Projects remain in place. The Lead Hub Member for Health and Wellbeing advised the Committee that work would take place in the New Year to assess how the Council supported the Arts and whether this support was appropriate and could be more effective.

Members noted their concerns that comments made to government during the consultation phase for reviewing the New Homes Bonus Scheme did not appear to have been taken on board. As a result, the Council would be severely financially impacted. Members agreed that discussions should be held with local Members of Parliament, and that the Local Government Association should be approached to lobby on behalf of this and other Councils, particularly in respect of losing the sixth year of New Homes Bonus funding in 2017/18.

Finally, Members agreed that, in the future, the Council may need to support more radical schemes to cut expenditure and generate income that would require taking risks and taking more difficult decisions.

It was then **RESOLVED** that the contents of the latest Budget Report for 2017-18 be noted.

(The Meeting terminated at 12.35 pm)

Chairman

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NOT FOR PUBLICATION

Appendix F to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Hub Committee**

Date: **24th January 2017**

Title: **Revenue and Capital Budget Proposals Report 2017-18**

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

Wards Affected: **All**

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

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

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

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Recommendations:

Members of the Hub Committee are requested to recommend to Council:

- (i) To increase Council Tax by £5 (which equates to a Band D council tax of £218.39 for 2017/18, an increase of £5 per year or 10 pence per week). This equates to a Council Tax requirement of £4,356,612 (as shown in Appendix B)).

- (ii) That the financial pressures in Appendix A of £735,571 are approved.
- (iii) That the contributions to Earmarked Reserves of £277,000 are approved.
- (iv) To approve the waste budget pressures outlined at Appendix F in order to allow the final managed service award to be made in line with the resolution of Minutes HC41 and CM 27.
- (v) That the proposed savings of £473,171 set out in Appendix A are approved.
- (vi) That the Collection Fund surplus of £178,000 be agreed.
- (vii) That an ICT Earmarked Reserve is created of £42,000 as set out in 6.15.
- (viii) That £700,000 of New Homes Bonus funding is used to balance the 2017-18 Revenue Budget.
- (ix) That £100,000 of the Budget Surplus Contingency Earmarked Reserve is used to fund £50,000 for the Joint Local Plan and £50,000 for five additional case managers within Development Management for a period of one year (10.6).
- (x) That the Total Net Expenditure of the Council for 2017/18 is £7,515,725 (Appendix B).
- (xi) To approve the 2017/18 Capital Programme projects totalling £720,000 as per 9.1.
- (xii) To approve financing the 2017/18 Capital Programme of £720,000 by using £238,000 of New Homes Bonus funding, £402,000 of Better Care Funding and £80,000 from the Budget Surplus Contingency Earmarked Reserve (as per 9.1).
- (xiii) That the Council transfers £TBA of its allocation of New Homes Bonus for 2017/18 to an Earmarked Reserve called 'Community Investment Fund – Dartmoor National Park', to be applied for and drawn down by Dartmoor National Park as required. This amount is a one-off payment and the position will be considered annually by the Council as part of the budget process. The condition is that this is for use within the boundaries of the Borough Council only.

- (xiv) That the Council Tax Support Grant paid to Town and Parish Councils is reduced by 8.6% for 2017/18, 2018/19 and 2019/20. This equates to a payment of £70,841 for 2017/18.
 - (xv) That the minimum level of the Unearmarked Revenue Reserves be maintained at £750,000 as per Section 10.
 - (xvi) That the level of reserves as set out within this report and the assessment of their adequacy and the robustness of budget estimates be noted. This is a requirement of Part 2 of the Local Government Act 2003.
 - (xvii) It is recommended to freeze car parking charges for 2017/18 and that charges are reviewed by the Car Parking Strategy Group with a view to increasing them in 2018-19.
- It is recommended that the Hub Committee:-
- (xviii) Consider options in relation to the garden waste service, as set out in Exempt Appendix F to this report.

1. Executive summary

- 1.1 The Council's Medium Term Financial Strategy (MTFS) 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 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 are more difficult times ahead in terms of reducing Government funding. ***The Council's Settlement Funding Assessment (Government Grant and funding from Business Rates) is reducing by a further 37% between now and 2019/10.*** 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 £392,502. Over the five years, the cumulative projected budget gap is £1,060,586 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)	392,502	796,958	Nil	Nil	(128,874)
CUMULATIVE BUDGET GAP OVER THE FIVE YEARS TO 21/22					£1,060,586
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 *The report to the 19th December Hub Committee reported a budget gap of £236,017 in 2017/18 and a cumulative budget gap over the next 5 years to 2021/22 of just over £700,000.*

The Budget Gap for 2017/18 is now higher by approximately £156,000 and this report updates the position and shows that the Council is facing a £1,060,000 Budget Gap over the next 5 years. The main reason for the increase of £156,000 is due to the cost pressure for Waste being increased by £110,000 (see Appendix F), an additional cost pressure of £30,000 for staffing resources in the Planning Community of Practice (see 6.11) and due to the Taxbase now being confirmed which means there is £18,000 less income from council tax as the increase in properties between 16/17 and 17/18 was 215 Band D Equivalent properties (lower than the 300 Band D Equivalent properties originally projected).

- 1.9 The Council will receive £961,269 in New Homes Bonus funding in 2017-18 (see 8.9) and the Budget report models that £700,000 of this will be used to fund the Revenue Base Budget in 17/18 and £238,000 used to finance the Council's Capital Programme. The Government has confirmed that it has reduced NHB payments from 6 years to 5 years and this move has meant the Council has lost over £0.5 million in NHB funding in 2017/18. The Council has repeatedly made the point that new Government monies should be made available to fund the adult social care funding crisis, rather than further burdening the council taxpayer.
- 1.10 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.
- 1.11 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.
- 1.12 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.
- 1.13 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

- 1.14 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 offered to all Councils to apply for a four year settlement funding offer by 14th October.

- 2.2 On 16 November, the Council received written confirmation from the Government that West Devon is now formally on the multi-year settlement list, following the Council's application for this. This means that the Council now has certainty over the levels of funding for Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant that it will receive for the next three years.

- 2.3 These are:-

Revenue Support Grant - £223,284 for 17/18 and then Nil thereafter.

Transitional Grant - £30,689 for 17/18 only and then Nil thereafter

Rural Services Delivery Grant - £372,638 for 17/18, £286,645 for 18/19 and £372,638 for 19/20

Business Rates are outside of the four year funding offer.

- 2.4 The Government has said that barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year. 97% of Councils applied which the Government said showed the understandable need for the sector to secure greater certainty at a time of significant reform.

Local Government Finance Settlement

- 2.5 The Local Government Finance Settlement was announced on 15 December 2016. This confirmed the same figures as those presented in the December 2016 Budget report considered by the Hub Committee for the amount of Revenue Support Grant, Rural Services Delivery Grant and Transition Grant that the Council will receive for 2017/18, 2018/19 and 2019/20.
- 2.6 Reforms for New Homes Bonus were announced on 15 December 2016 and this is explained in Section 8.
- 2.7 Appendix C gives an analysis of the Council's finance settlement that was announced. ***It can be seen by the graphs in Section 2 that West Devon Borough Council has suffered the third highest cut in the country of 36.6% over the four years between 2016/17 to 2019/20 in its Settlement Funding Assessment (this is Government Grant funding and funding from Business Rates).*** This compares to a 18.7% cut for Metropolitan Districts and 32.4% for Shire Districts. Counties vary between 30% to 31%. This can be seen in Chart 3 of Appendix C.
- 2.8 The funding gaps created by Settlement Funding Assessment reductions can only be filled with Council Tax increases in order to ensure Spending Power (which includes council tax funding) changes are roughly equal. Therefore in rural areas, council taxpayers will fund much larger cuts to Government spending.
- 2.9 In 2015/16, rural residents paid about £80 per head more in Council Tax than urban residents. In 2019/20, rural residents will pay £88 per head more than urban residents.

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.

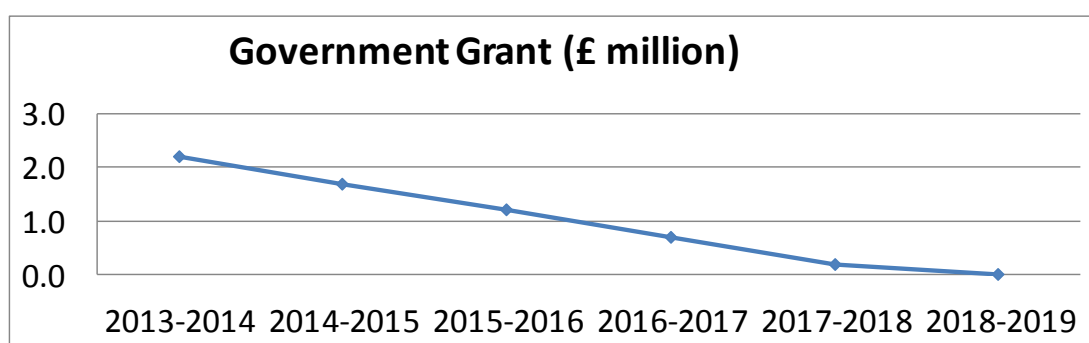
- 3.2 The MTFs assumes inflation will run at 2% over the five year period. The Office for National Statistics (ONS) has said that the annual inflation rate as measured by the Consumer Prices Index (CPI) rose to 1% in September 16. The Retail Prices Index measure of inflation rose to 2% in September 2016.
- 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% |
- The latest predictions for Bank Rate is that they will remain at 0.25% until Summer 2019 when it is predicted they may rise to 0.5%. The Council is investigating alternative investment vehicles which were discussed at the Financial Principles Member Workshop on 5th December.
- 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 and equates to a council tax increase of 2.34%.
- 3.6 It has been assumed that the number of properties within the Borough will increase by 225 per annum from 2017/18 to 2021/22 – this is an increase of approx. 1.1% - 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. The 2017/18 TaxBase has been confirmed as £19,948.77, which is an increase of 215.36 Band D properties.

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 D).
- 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 Council's response to the consultation document was an item on the agenda for the September Hub Committee meeting. The consultation paper confirmed 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.

- 4.13 **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. A summary of the revaluation changes are shown below.

Table 2 - Summary of Revaluation Changes - Devon wide				
Devon Authorities	Change in RV	Change in RV	Change in Gross rates	Change in Gross rates
	£	%	£	%
District				
East Devon	3,672,626	4.12%	199,698	0.46%
Exeter	1,806,153	0.97%	(2,323,577)	-2.58%
Mid Devon	1,229,526	3.01%	(121,278)	-0.61%
North Devon	946,411	1.11%	(1,012,643)	-2.45%
South Hams	2,657,072	3.16%	(187,428)	-0.46%
Teignbridge	1,659,923	2.01%	(631,902)	-1.58%
Torridge	3,438,326	10.28%	1,037,053	6.41%
West Devon	2,343,538	8.09%	601,704	4.29%
Districts total	17,753,575	2.81%	(2,438,373)	-0.80%
Unitary				
Plymouth	1,083,143	0.47%	(3,386,667)	-3.06%
Torbay	(5,795,624)	-5.90%	(4,375,751)	-9.21%
Unitary total	(4,712,481)	-1.44%	(7,762,418)	-4.90%
Overall Devon total	13,041,094	1.36%	(10,200,791)	-2.20%
Gross rates (RV x rating multiplier) - before any transitional, SBRR, mandatory & discretionary relief				

- 4.14 Although for all Districts in Devon there has been an increase in rateable value, the Government proposes to reduce the national small rate multiplier by 1.7p from 48.4p to 46.7p and the standard multiplier is also estimated to fall by 1.7p to 48.0p so that total business rate receipts in England remain constant in real terms.

- 4.15 Under the Government's proposals, West Devon would see an increase in the tariff paid over to the Government. However the Government has acknowledged that this methodology does not take into account the impact of reliefs and has indicated that it will keep the decision under review.

COUNCIL TAX

- 4.16 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.

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

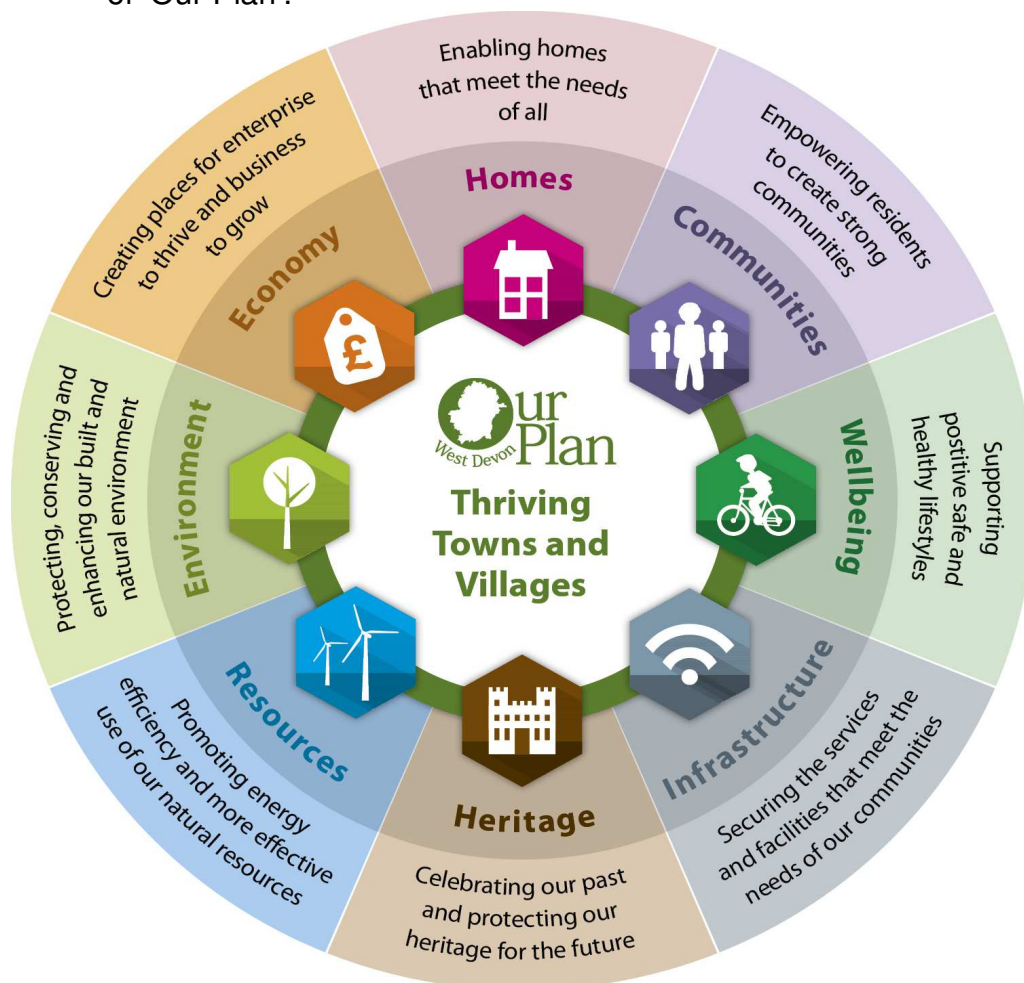
- 4.17 The Finance Settlement has confirmed that the Council Tax referendum limit for all District Councils for 2017/18 is the higher of 2% or more than £5. This means the Borough Council would have the flexibility to increase its Band D council tax by £5 for 2017/18. This equates to a council tax increase of 2.34%. (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 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 At the Members' Budget Workshop held on 3rd October 2016, there was early support for increasing council tax by the maximum allowable of £5. 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.

4.20 Local Authorities who deliver social care (Devon County Council) will now be able to increase the Social Care Precept by up to 3% per annum in 2017/18 and 2018/19. However Authorities that go ahead with the 3% increase each year for 17/18 and 18/19 will not be able to make a further increase in 2019/20 (i.e. the total allowable increase over the three years 17/18, 18/19 and 19/20 remains at 6%).

4.21 **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 £178,000 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. There is then a plethora of external policies and strategies which support the delivery of ‘Our Plan’.



- 5.2 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 **Waste collection, recycling and cleansing**
A budget pressure of £510,000 has been built into the Budget report. The detail is shown in Appendix F.

6.4 **Planning fee income** – In the Budget Monitoring report to the Hub Committee on 1 November 2016, it was highlighted that there is predicted to be a shortfall in income from planning applications of £60,000. Following the budget scouring process where all budgets have been scrutinised and also from having three months more of data, it is now anticipated that planning income will be under budget by £125,000. This position is expected to continue in 2017/18 and therefore a cost pressure of £125,000 has been added to the budget report. In 16/17 the budgeted income is £383,000 and it is anticipated actual income will be in the region of £260,000. At the end of November 2016 (end of Month 8) the amount of planning fee income was £170,000.

There is nothing concrete yet in legislation to allow Councils to charge a cost recovery basis for Planning applications. The Council's understanding is that secondary legislation will be required for this to happen. At this stage, it is felt prudent to reduce the planning income budget for next year.

6.5 **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. Some preliminary figures have been made available to the Council and the cost pressure has been increased by £5,000 to £80,000 in 2017/18 as a result.

6.6 **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.

6.7 **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.

6.8 **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.

6.9 **National Living wage and National Insurance** – The Government has committed to following the recommendations of the independent Low Pay Commission to increase the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from 2017. The Government's target is for

the NLW to reach 60% of median earnings by 2020 subject to sustained economic growth. There will also be a small increase in national insurance contributions. A cost pressure of £20,000 has been included for these elements.

6.10 Recycling credits income – As highlighted in the Budget Monitoring report (Hub Committee 1 November 2016), it is anticipated there will be a £40,000 cost pressure. Devon County Council has taken West Devon's leaf sweepings and garden waste into the County contract and has ceased paying recycling credits on this material. As has been previously reported, a phasing into the DCC contract was negotiated to minimise the budgetary impact. This has resulted in a loss of income gained from recycling credits from DCC, which is largely offset by West Devon no longer having to pay gate fees for composting the materials. Members will be aware that prices for recycling have dropped with the market changing significantly due to external factors. The income target in 2016/17 was reduced to £330,000, but the current monitoring position is showing that the budget needs to be further reduced by £40,000.

6.11 Planning Community of Practice – A cost pressure of £30,000 has been shown in Appendix A to reflect a permanent increase to the staffing establishment which is proposed for an additional Planning Specialist and an additional Case Manager for Planning Enforcement. The cost of £30,000 reflects WDBC's share of the cost for these shared staffing posts with South Hams shown in 1) and 2) below.

1) Additional Planning Specialist – permanent post

A permanent increase to the establishment due to the continuing increasing volumes of planning applications (circa 10%). This post will ensure that caseloads are more manageable across all planning specialists and as a result enable the team to continue to improve determination performance and customer service.

2) Additional Case Manager (Planning Enforcement) – permanent post
Members approved a temporary increase in the staffing establishment to assist in removing planning enforcement backlogs and as result backlogs and new cases were separated. New cases were assigned to a single enforcement officer and over the last 9 months, new cases have been reported at twice the rate that they are being resolved. It is recommended that the Council provides an additional resource to ensure that a new backlog does not develop.

Additional five Temporary Case Managers

In addition, officers have identified a need for a temporary increase in the staffing establishment of five Case Managers for a 12 month period. Whilst good progress continues to be made and backlogs have been eliminated, failure demand has reduced and subsequently call volumes are the lowest in over 18 months, it is recognised that the current transition resources will begin reducing from March 2017.

Having reviewed the post transition resources and the current workload, officers are recommending a temporary increase in the staffing establishment of 5 case managers for 12 months to help manage the transition back to normal staffing levels.

In the short term the majority of these staff will be working within the Development Management service.

The cost of the additional five temporary case managers is £50,000 for West Devon's share. As this is a temporary resource for one year, it has been recommended to be funded from the Budget Surplus Contingency Earmarked Reserve (see 10.6).

- 6.12 **Finance Community of Practice** – A cost pressure of £15,000 has been included for the cost of an extra 0.6FTE post within the Finance COP team (above the blueprinted establishment for finance). This is to reflect the fact that the blueprinted resources for the team were on the assumption that self-serve for budget holders was fully embedded and that budget managers would manage their budgets with minimal input or assistance from the finance team. Due to changing the coding structure for both Councils, the system support required on Civica Financials, the complexity of shared services accounting and the self-serve training still required on the finance system, it is recommended that the establishment reflects the current position and a £15,000 cost pressure is recognised.
- 6.13 The summary of the Recommendations from the Economy Working Group are shown in Appendix A. These were approved by Council on 6 December 2016.

EARMARKED RESERVES

- 6.14 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 D.
- 6.15 **Creating an ICT Earmarked Reserve** - Following a review of all Earmarked Reserves, it is recommended to amalgamate a few older small reserves that haven't been used and re-allocate these to create an ICT Earmarked Reserve. These are the Young Persons Prevention Officer (£10K set up in 13/14), Inspire Anex 11 (£7K set up in 13/14) and Local Authority Business Growth Incentive LABGI funding (£25K set up in 12/13) – total of £42,000.
- 6.16 **ICT Development Reserve** – It is recommended that the Council makes an annual contribution of £25,000 per year into this reserve to fund IT expenditure. The ICT Strategy is also on this agenda for the Hub Committee meeting.

- 6.17 **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.
- 6.18 **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

- 6.19 **Re-procurement of contracts** – The MTFS shows the savings in Appendix A from the re-procurement of outsourced contracts.
- 6.20 **Income from fees and charges** – This is set out in Section 12 of the report.
- 6.21 **Budget Scouring savings** - All of the existing base budgets have been scrutinised and challenged by the Leadership Team and Finance Business Partners, in order to identify further savings. The following savings of £75,000 have been identified to date:-
- i) A £45,000 reduction in the annual contribution of £103,000 to the repairs and maintenance earmarked reserve for car parking (The car parking maintenance earmarked reserve currently has a balance of £408,000 in the reserve)
 - ii) A £25,000 saving on the purchase of equipment in the planning service and a £5,000 saving on staff travel
- 6.22 **Business Rates pooling gain** – A pooling gain of £30,000 has been estimated within the savings.
- 6.23 **Kilworthy Park** – Additional rental income of an extra £5,000 per annum has been built into the MTFS.
- 6.24 **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 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 £392,502. Over the five years, the cumulative projected budget gap is £1,060,586 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
	£	£	£	£	£
Annual budget gap/(surplus)	392,502	796,958	Nil	Nil	(128,874)
CUMULATIVE BUDGET GAP OVER THE FIVE YEARS TO 21/22					£1,060,586
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.					

The report to the 19th December Hub Committee reported a budget gap of £236,017 in 2017/18 and a cumulative budget gap over the next 5 years to 2021/22 of just over £700,000.

The Budget Gap for 2017/18 is now higher by approximately £156,000 and this report updates the position and shows that the Council is facing a £1,060,000 Budget Gap over the next 5 years. The main reason for the increase of £156,000 is due to the cost pressure for Waste being increased by £110,000 (see Appendix F), an additional cost pressure of £30,000 for staffing resources in the Planning Community of Practice (see 6.11) and due to the Taxbase now being confirmed which means there is £18,000 less income from council tax as the increase in properties between 16/17 and 17/18 was 215 Band D Equivalent properties (lower than the 300 Band D Equivalent properties originally projected).

- 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:
- A Financials Principles Workshop was held with Members on 5 December to focus on an approach and strategy for Income Generation

- 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. Some 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).
- 7.7 The Overview and Scrutiny Committee have reviewed partnership funding levels and it was resolved (O & S (E)18) that the funding levels remain the same for the Citizens Advice and Community Voluntary Service for 2017/18.
- 7.8 There is a budget gap remaining in 2017/18 of £392,502 and this will need to be closed in order to present a balanced budget for 2017/18.
- 7.9 The Council could use the 2016/17 Budget Surplus Contingency Earmarked Reserve remaining of £361,792 to close the Budget Gap in 2017/18. A further £30,710 could be taken from the Invest to Earn Earmarked Reserve as set out in 10.7. As the use of Reserves is only one-off, this would add £392,502 to the Budget Gap in 2018/19 of £797,000.
- 8. NEW HOMES BONUS (NHB)**
- 8.1 On 15 December 2016, the Council received notification of its 2017-18 provisional allocation for NHB of £961,269.
- 8.2 The New Homes Bonus was introduced in 2011 to provide a clear incentive for local authorities to encourage housing growth in their areas. It rewards local Councils for additional homes added to the council tax base, including newly built properties and conversions as well as long term empty properties brought back into use, after deducting demolitions.
- 8.3 Following consultation earlier this year, the Government will implement reforms to the scheme that sharpen the incentive for housing growth. The length of New Homes Bonus payments will be reduced in length from 6 years to 5 years in 2017-18 and 4 years from 2018-19. **It can be seen from the Table in 8.8 that this reduction from 6 years to 5 years has meant the Council has lost £568,622 in New Homes Bonus funding. The Council has repeatedly made the point that the current crisis in funding for Adult Social Care is a national problem which needs new Government money, as opposed to reducing the New Homes Bonus funding to pay for this and therefore further burdening the council taxpayer to fund social care costs.**

- 8.4 From 2017-18 the Government has introduced a national baseline for housing growth of 0.4% below which New Homes Bonus will not be paid, which the Government has said reflects a percentage of housing that would have been built anyway. The Government will retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.
- 8.5 The Government has stated that, taken together these measures meet the aims set out in their consultation document of sharpening the incentives for housing growth and releasing funding for other Local Government spending priorities such as adult social care.
- 8.6 The announcement on NHB also said that from 2018/19, the Government will consider withholding NHB payments from local authorities that are not planning effectively, by making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning the Government will also consider withholding payments for homes that are built following an appeal.
- 8.7 As the Government is implementing wider planning reforms to get the nation building the homes it needs, including measures announced at Autumn Statement and through the Neighbourhood Planning Bill and forthcoming Housing White Paper, the Government will not introduce the proposals to withhold payments for areas without a local plan in 2017-18.

8.8 The table below shows the NHB received to date and a forecast for future years.

	2015/16	2016/17	2017/18	2018/19	2019/20
	(£)	(£)	(£)	(£)	(£)
2011/12	323,920	323,920			
2012/13	568,622	568,622	(this year has dropped off by a reduction to 5 years of payment)		
2013/14	133,255	133,255	133,255		
2014/15	222,997	222,997	222,997		
2015/16	248,975	248,975	248,975	248,975	
2016/17		247,527	247,527	247,527	247,527
2017/18			108,515	108,515	108,515
2018/19				125,000	125,000
2019/20					125,000
New Homes Bonus returned	4,913				
NHB Received/ Forecast	1,502,682 Actual received	1,749,449 Actual received	961,269 Provisional Allocation	730,017 Forecast	606,042 Forecast

- 8.9 The table below shows estimated amounts of NHB receivable in future years and potential uses of the NHB funding:-

	2017-18 (£)	2018-19 (£)	2019-20 (£)	2020-21 (£)
Predicted NHB amount	961,269	730,017	606,042	600,000
Capital Projects (9.1)	238,000	299,000	299,000	299,000
To fund the Revenue Base Budget	700,000	500,000	400,000	400,000
Dartmoor National Park allocation	TBA	TBA	TBA	TBA
Funding remaining unallocated	23,269 remaining	(68,983) funding shortfall	(92,958) funding shortfall	(99,000) funding shortfall

- 8.10 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. The figures for housing completions in the last financial year have been requested from DNP and are awaited.

9. CAPITAL PROGRAMME 2017/18 to 2021/22

9.1 The table below shows the capital budget proposals for the Capital Programme for 2017/18 to 2021/22.

	2017/18	2018/19	2019/20	2020/21	2021/22
Tenants Incentive Scheme (TIS) -Note 1	15,000	15,000	15,000	15,000	15,000
Village Halls and Community Projects Note 2	-	36,000	36,000	36,000	36,000
Affordable Housing (see Note 3)	200,000	200,000	200,000	200,000	200,000
Disabled Facilities Grants (see Note 4)	450,000	450,000	450,000	450,000	450,000
Waste (Note 5)	55,000	-	-	-	-
TOTAL CAPITAL PROGRAMME	720,000	701,000	701,000	701,000	701,000
Suggested method of funding the Capital Programme:					
Better Care funding towards DFGs (see Note 4)	(402,000)	(402,000)	(402,000)	(402,000)	(402,000)
Funding from Budget Surplus Contingency Earmarked Reserve (see 10.6)	(80,000)	TBA	TBA	TBA	TBA
New Homes Bonus (Required to fund the Capital Programme)	238,000	299,000	299,000	299,000	299,000

Note 1 – Tenants Incentive Scheme (TIS)

A bid is made to the Capital Programme for an allocation of £15,000 for TIS for 2017/18.

The Tenants Incentive Scheme (TIS) was first brought into use in 2004. This enabled the Council to look at the best ways that the Council could use its current stock. There were a lot of residents who were considered to be under occupying their homes as children had moved out and there were increasing pressures on the housing options service. Many of these residents would not have downsized if an incentive was not offered, as this helped them to cover the costs of moving and in some cases helped to carpet and furnish their new homes.

In recent years due to the caps on LHA, this has helped a considerable number of people move to a smaller home, that is more suited to their financial means and has assisted with clearing the arrears that have accrued due to the 'spare bedroom tax'.

The cost savings that need to be considered when this money is paid does not just affect the Council but also the court system in terms of evictions, social services, Housing Associations and of course the issues around the health services as people may be less worried as preventative measures have decreased the anxiety caused by being in debt or worrying about how they will cover their household costs.

Below are some facts about TIS and how this has helped residents in our community:

- Since 2004, 65 people have moved using the scheme. This means that 65 people have been permanently rehoused from the West Devon housing register.
- The average sum of money paid is £1,500 per household. This is primarily paid to those freeing up family sized accommodation in the two bedroom properties.
- The cost of accommodating a family in Bed and Breakfast per night is £60. Legally families can only stay in bed and breakfast for 6 weeks but this alone totals £2,520 for that stay.
- Alternatives to bed and breakfast are expensive self contained units which normally cost about £450 per week. If this is required this could cost an additional £2,700 for a 6 weeks stay.
- There has been very little affordable housing in the South of the Borough since 2010 and therefore WDBC has had to make sure that our stock is being occupied by those in the most need.
- The TIS scheme has helped to keep families local in order to provide or receive support and children in the schools that they are used to. It has also helped residents in terms of not being stuck in a benefit trap as family sized accommodation has become available to help them continue to work or to avoid going into expensive private accommodation.

Note 2 – Village Halls and Community Projects

The Capital Budget Monitoring report to the Hub Committee on 1 November 2016 highlighted that this scheme currently has a budget allocation of £106,000 in 2016/17 which is anticipated to be underspent (by at least £36,000). Due to the level of predicted underspend, no budget allocation has been requested for 2017/18 and the underspend from 2016/17 will be rolled forward to meet costs in 2017/18.

Note 3 – Affordable Housing

The current level of capital funding allocated to the delivery of affordable housing is an annual contribution of £200,000. It is proposed that this budget continues at the same level to support housing need in the Borough.

Due to the reduction in available grant for affordable housing, there is currently no funding for assisting with the provision of rented properties. The schemes detailed below at South Tawton, Brentor and Horrbridge may need an element of 'top up' money. It is possible that Section 106 monies could finance this 'top up' however there is a need to safeguard these schemes if there is insufficient s.106 money available. Section 106 funds to date total £193,000, this is not ring fenced to a particular location but can be used throughout the whole of West Devon. Further off-site contributions are under discussion.

Financial viability information has been received for South Tawton and the Horrbridge scheme is in the process of being prepared. It is unclear at this time whether additional funds will be required for Brentor, therefore this is a worst case scenario.

Scheme Details:

South Tawton – 6 units - viability report provided.

Horrbridge – 10 units - awaiting viability

Brentor – 8 – 10 units - awaiting viability

A bid for £200,000 to the Capital Programme for 2017/18 has been made.

These schemes will not provide the Council with a long term income stream, but they will provide some financial gain as well as being of social benefit to the community.

Advantages in both financial and social benefit per unit are shown below:

- New Homes Bonus
- Council Tax (ongoing – costs depend on property size)
- Reduction in numbers on the housing register
- Meets WDBC's statutory need – although these schemes are within the Dartmoor National Park planning area, WDBC is the housing authority for the Borough and the statutory duty to meet housing need falls upon this Council

- Reduction in the use of temporary accommodation, this can cost between £130 - £450 per week (location and time of year). This could increase if duties are extended to non-priority applicants - proposed bill due for its second reading.

- Social benefits can have huge impact on the reduction of support services that need to be provided. This can also extend to school transport, disruption to children if forced to change schools when housing is not available and the reduction on health services.

Further funding of £247,620 for the Government's new Community Housing Fund

West Devon Borough Council has been notified that it has been allocated funds from the Government's new Community Housing Fund. The Community Housing Fund supports Councils in tackling the problem of high levels of second homeownership in their communities.

The £60 million in the nationwide pot has been allocated to support areas where high numbers of second homes have an impact on affordable housing. This will help tackle the problem of higher than average levels of second home ownership in the area.

West Devon has received an allocation of £247,620, which will go some way to support local, community led housing initiatives across the Borough. Lack of affordable housing is an issue facing West Devon residents who wish to own their own homes. The fund will help the Council support local, community led housing across the Borough as local residents find it increasingly difficult to get on the housing ladder due a number of reasons, partly due to the proportion of second homes in the area. The Council is pleased to see that West Devon is being supported in this way and that the fund has been set up to help tackle these housing issues. The Council does not yet know the full details of this scheme, but when more clarity is available, the Council can make plans and discuss the Fund in more detail.

Note 4 - Private Sector Renewals, primarily Disabled Facilities Grants – This budget is used to fund Private Sector Renewals, primarily Disabled Facilities Grants (DFG's). DFG's are mandatory, means tested and enable people to live independently within their own home. Adaptations range from simple stair lifts and Level Access Showers through to full extensions. The budget of £450,000 will be made up of the expected £402,000 from the Better Care Fund and a contribution from the Council of £48,000. The demand for DFG's is not under our control and cannot be predicted at this stage.

Note 5 – Waste - A capital bid for £55,000 for Waste is set out in Exempt Appendix F.

- 9.2 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.
- 9.3 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. For example the Waste capital bid has a revenue implication.
- 9.4 **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.
- 9.5 In July 2016 (Minute CM28), the Council agreed to undertake prudential borrowing of £1.5 million for the new leisure contract.
- 9.6 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 the 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 D)	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 D)	925
Total Predicted Reserves as at 31st March 2017 (Unearmarked Reserves of £1,030,000 and Earmarked Reserves of £3,345,000 as shown in Appendix D)	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 6.14 to 6.18 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 D. Earmarked Reserves are predicted to be £3,345,000 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
Recommendation (ix): To set aside £50,000 from this reserve for the Joint Local Plan	(50,000)
Recommendation (ix): To use £50,000 (WDBC share of the cost) for five additional case managers within Development Management for a period of one year (see 6.11)	(50,000)
Recommendation (xii): Funding for the 2017/18 Capital Programme (see 9.1)	(80,000)
Sub Total - Balance remaining (if the three recommendations above are approved)	361,792
<p>MEMORANDUM NOTE (as per 7.8 and 7.9)</p> <p>There is a budget gap remaining in 2017/18 of £392,502 and this will need to be closed in order to present a balanced budget for 2017/18.</p> <p>The Council could use the 2016/17 Budget Surplus Contingency Earmarked Reserve remaining of £361,792 to close the Budget Gap in 2017/18. A further £30,710 could be taken from the Invest to Earn Earmarked Reserve as set out in 10.7. As the use of Reserves is only one-off, this would add £392,502 to the Budget Gap in 2018/19 of £797,000.</p>	

It is recommended to set aside £50,000 from the 2016/17 Budget Surplus Contingency Earmarked Reserve for the Joint Local Plan. This is to cover numerous elements including a contribution to a programme manager role, the examination and legal representation. These costs would be shared with Plymouth City Council and South Hams District Council.

- 10.7 The table below shows the amount remaining on the Innovation Fund (Invest to Earn) Earmarked Reserve.

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

- 10.8 **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 was attached at Appendix F of the Medium Term Financial Strategy.

11 OTHER BUDGET ITEMS

- 11.1 **Members’ Budget Workshop** – On 3rd October 2016 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 of £5. 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. A further Financial Principles Workshop was held with Members on 5th December 2017. At this workshop, Members also requested that a report on charged garden waste collections be brought before the Hub Committee again as early as constitutionally possible.
- 11.3 **Council Tax Reduction Scheme** – The Council approved a grant distribution of £77,509 for 2016-17 for the Town and Parish element of the grant. 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 average of this is 8.6% each year over the next three years.
- 11.4 Towns and Parishes would like more certainty of their grant allocations for planning purposes and have been informed by the Council of 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 £6,600 for 2017-18.

Devolution

- 11.5 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.
- 11.6 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)

- 11.7 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.
- 11.8 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

- 11.9 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 Budget report 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

- 11.10 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.
- 11.11 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.
- 11.12 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
- 11.13 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 FEES AND CHARGES

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

Car Parking Charges

- 12.2 As part of this Budget report, it is recommended to Council to freeze car parking charges for 2017-18. There was a meeting of the Car Parking Strategy Group in November 2016, where it was agreed to recommend to freeze car parking charges for 2017-18 but that they be reviewed with a view to increasing them in 2018-19.

Environmental Health Charges

- 12.3 Recommendations on Environmental Health fees and charges are being considered by the Planning and Licensing Committee on 10th January 2017.

13 Timetable for the Budget Setting Process

- 13.1 Appendix G sets out the timetable for the Budget Setting Process.

14 Looking Forward to the Future

- 14.1 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.

15. 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 the Budget report is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p> <p>Since there is commercially sensitive information in Appendix F, regarding the budgets for individual projects and services, there are grounds for the publication of this appendix to be restricted, and considered in exempt session. The public interest has been</p>

		assessed and it is considered that the public interest will be better served by not disclosing the information in the appendix. Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.
Financial	Y	The financial implications are set out in Sections 1.7 to 1.9 of the Executive Summary.
Risk	Y	The financial risks are as set out in Appendix F of the Medium Term Financial Strategy (September 2016)
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 – Finance Settlement analysis

Appendix D – Schedule of Reserves

Appendix E – Feedback from the Members' Budget Workshop

Appendix F (EXEMPT) – Waste Budgets 2017-18

Background Information

Hub Committee – 20 September 2016 – Medium Term Financial Strategy for the five year period 2017/18 to 2021/22

Hub Committee – 1 November 2016 – Revenue Budget Monitoring report for Quarter 2 of 2016/17

Hub Committee – 1 November 2016 – Capital Budget Monitoring report for Quarter 2 of 2016/17

Hub Committee – 19 December 2016 – Revenue and Capital Budget Proposals report 2017-18

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

WEST DEVON BOROUGH COUNCIL

	BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £
BUDGET PRESSURES					
Waste collection, recycling and cleansing contract (estimate) - see Appendix F and 6.3	80,000	510,000	190,000	70,000	70,000
Inflation on the street cleaning and public conveniences	10,000	30,000	10,000	10,000	10,000
Reduction in planning income - see 6.4	0	125,000	0	0	0
Triennial Pension revaluation - see 6.5	60,000	80,000	25,000	0	75,000
Recycling of garden and leaf collections	90,000	0	0	0	0
New glass recycling banks x 3	(8,000)	0	0	0	0
Inflation on goods and services - see 6.6	70,000	70,000	70,000	70,000	70,000
Increase in salaries - increments and pay and grading - see 6.7	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
Reduction in Recycling credits - see 6.10	0	40,000	0	0	0
Planning Community of Practice - staffing resource- see 6.11	0	30,000	0	0	0
Reduction in Housing Benefit administration subsidy - see 6.8	40,000	30,000	20,000	20,000	0
National Insurance and National Living Wage - see 6.9	60,000	20,000	20,000	20,000	20,000
Revenue implication of the waste capital bid in 2017/18 capital programme - Exempt App F	0	0	13,000	0	0
Finance Community of Practice - staffing resource - see 6.12	0	15,000	0	0	0
Business Information Point (increase from £8,340 to £15,100) - Economy Working Group recommendations - see 6.13	0	6,760	0	0	0
Reinvest saving of £2,811 in Town Benchmarking reports and £1,000 to Youth Markets (Economy WG recommendations) - see 6.13	0	3,811	0	0	0
Reduction in the Homelessness Grant	50,000	0	0	0	0
Kilworthy Park - running costs	45,000	0	0	0	0
Tamar Valley Legacy Plan	3,000	0	0	0	0
Tamar Estuaries Consultative Forum	1,000	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
Specialist resource - Waste and Cleansing options review and delivery -one off	80,000	(80,000)	0	0	0
Our Plan	75,000	(75,000)	0	0	0
Elections - reversal of 15/16 one off cost pressure	(50,000)	0	0	0	0
TOTAL IDENTIFIED BUDGET PRESSURES	836,000	735,571	428,000	270,000	325,000

WEST DEVON BOROUGH COUNCIL

	BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £
Contribution to Earmarked Reserves					
(This line shows the annual contributions into the Reserve)					
Contribution to IT Development Reserve (£25K per annum) - see 6.16		25,000	25,000	25,000	25,000
Contribution to Planning Reserve (£25K per annum) - see 6.17		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 - see 6.18	125,000	160,000	120,000	35,000	0

Net contribution to T18 Reserve to meet other non-recurring costs
(Contributions are offset by savings as per the Business Case)

Total Contribution to Earmarked Reserves

67,000	67,000	67,000	67,000	0
192,000	277,000	237,000	152,000	50,000

SAVINGS AND INCOME GENERATION IDENTIFIED

Re-procurement of contracts - see 6.19

Budget Scouring exercise (£45,000 reduction in the contribution to the repairs and maintenance earmarked reserve for car parking maintenance, £25,000 saving on purchase of equipment and £5,000 on staff travel) - see 6.21

Housing Benefit recoveries

Other staffing expenses

Additional investment income

Business Rates pooling gain - see 6.22

Villages in Action (£8,000 to £4,000), SW Museum (£2,000 to £1,000) and cease Economy Grants (£5,571) - Economy Working Group recommendations - see 6.13

Council Tax Reduction Scheme - 8.6% reduction in Town and Parish Grant - see 11.4

Reduced running costs at Kilworthy Park and additional leasing income - see 6.23

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

BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £
0	346,000	0	93,000	187,000
0	75,000	0	0	0
30,000	0	0	0	0
60,000	0	0	0	0
5,000	0	0	0	0
10,000	30,000	0	0	0
0	10,571	0	0	0
0	6,600	0	0	0
15,000	5,000	10,000	15,000	0
725,000	0	0	0	0
845,000	473,171	10,000	108,000	187,000

MEMORANDUM

POSSIBLE FUTURE SAVINGS(see 7.6)

Income generation from alternative investment vehicles (e.g. property investment fund)

LACC Waste savings (as per Special Council report 26 July 2016)

TOTAL SAVINGS AND INCOME GENERATION

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.

BASE 2016/17 £	Yr1 2017/18 £	Yr2 2018/19 £	Yr3 2019/20 £	Yr4 2020/21 £
	25,000			
			293,000	14,000
	25,000	0	293,000	14,000

Line No.	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	7,123,222	6,744,263	7,004,513	7,177,382
2	Budget pressures (as per Appendix A)	836,000	735,571	428,000	270,000	325,000	250,000
3	Savings already identified (as per Appendix A)	(845,000)	(473,171)	(10,000)	(108,000)	(187,000)	(39,000)
4	Reversal of Budget Surplus in the following year - used as a saving					(98,249)	(133,117)
5	Projected Net Expenditure:	7,253,325	7,515,725	7,541,222	6,906,263	7,044,264	7,255,264
	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	4,356,612	4,506,618	4,658,875	4,813,382	4,970,138
7	Collection Fund Surplus	280,000	178,000	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	1,539,000	1,588,000	1,645,000	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 Earmarked Reserves	-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	7,123,223	6,744,263	7,004,513	7,177,382	7,384,138
	Budget (surplus)/ gap per year						
16	(Projected Expenditure line 5 - Projected Funding line 15)	0	392,502	796,958	-98,249	-133,117	-128,874

Less: Contribution of Budget Surplus to an Earmarked Reserve for one-off investment. (This means a total of £360,240 is available for one-off investment for the five year period)					98,249	133,117	128,874
Resulting Budget Gap		392,502	796,958	0	0	-128,874	
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)		392,502	1,189,460	1,189,460	1,189,460	1,060,586	
<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)		367,502	1,164,460	871,460	857,460	713,586	

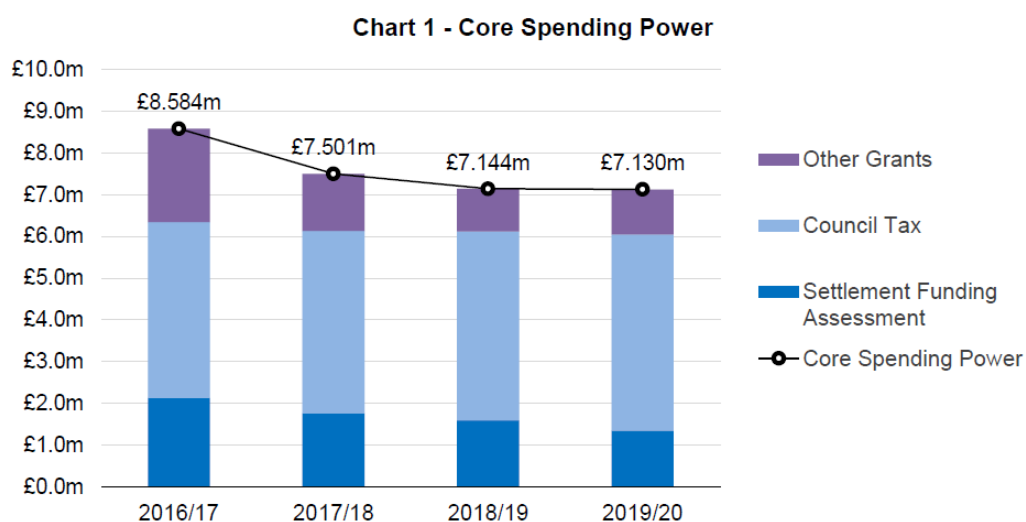
(In the last year the saving reduces the overall cumulative budget gap)

Modelling Assumptions:	An assumption of an additional 225 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	19,948.77	20,173.77	20,398.77	20,623.77	20,848.77

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1. Core Spending Power

'Core Spending Power' is a headline figure used by DCLG to represent the key revenue resources available to local authorities, including an estimate of actual and potential council tax.



Core Spending Power is a measure of the amount of funding a Local Authority has from Government Grants (including New Homes Bonus), funding from Business Rates and funding from Council Tax.

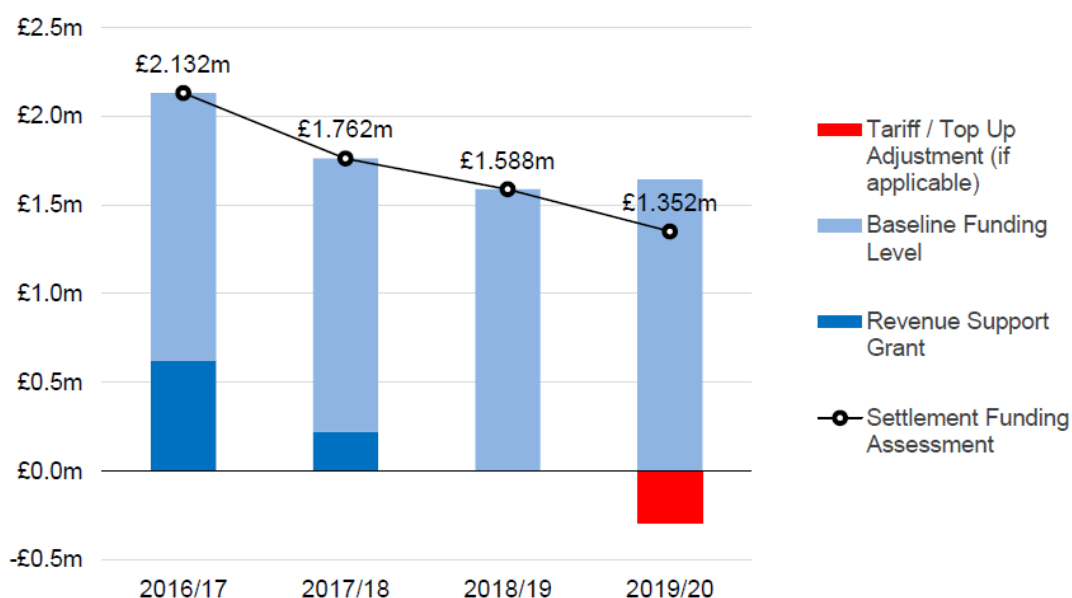
Table 1 - Core Spending Power (£m)

	2016/17	2017/18	2018/19	2019/20
Core Spending Power	8.584	7.501	7.144	7.130
Settlement Funding Assessment	2.132	1.762	1.588	1.352
Council Tax	4.211	4.370	4.534	4.700
Other Grants	2.241	1.368	1.022	1.078
<i>Change in Core Spending Power:</i>				
<i>Annual change</i>		-12.6%	-4.8%	-0.2%
<i>Cumulative change</i>		-12.6%	-16.8%	-16.9%

2. Settlement Funding Assessment

'Settlement Funding Assessment' is the revenue received by local authorities in the form of (i) Revenue Support Grant from central government and (ii) a share of business rates retained locally.

Chart 2 - Settlement Funding Assessment

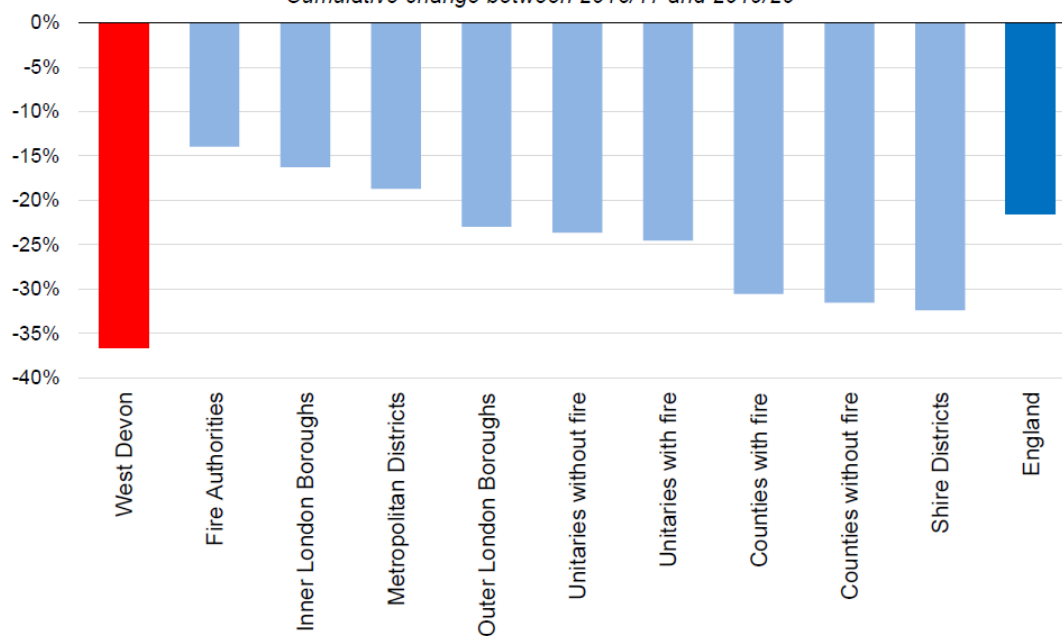


Settlement Funding Assessment (SFA) is a measure of the amount of funding a Local Authority has from Revenue Support Grant and Business Rates (Baseline Funding Level). West Devon Borough Council has the third highest cut in SFA funding in the country at 36.6% between 2016/17 and 2019/20 as shown below.

Table 2 - Settlement Funding Assessment (£m)

	2016/17	2017/18	2018/19	2019/20
Settlement Funding Assessment	2.132	1.762	1.588	1.352
Revenue Support Grant	0.623	0.223	0.000	0.000
Baseline Funding Level	1.508	1.539	1.588	1.645
Tariff / Top Up Adjustment ^a	0.000	0.000	0.000	-0.293
<i>Change in SFA:</i>				
<i>Annual change</i>		-17.3%	-9.9%	-14.9%
<i>Cumulative change</i>		-17.3%	-25.5%	-36.6%

(a) The Tariff / Top Up Adjustment is an amount which increases an authority's tariff or decreases its top up, as applicable. It is applied in cases where cuts to an authority's SFA cannot be achieved through further cuts to its Revenue Support Grant, as the latter has already fallen to zero

Chart 3 - Cumulative change in SFA by class of authority*Cumulative change between 2016/17 and 2019/20*

The following table compares the change in your authority's SFA to other classes of authority in England

Table 3 - Change in SFA by class of local authority

Authority group	Services			Change in SFA from previous year			Cumulative change between 2016/17 and 2019/20
	Lower tier	Upper tier	Fire	2017/18	2018/19	2019/20	
West Devon	✓			-17.3%	-9.9%	-14.9%	-36.6%
Unitaries without fire	✓	✓		-11.3%	-6.9%	-7.4%	-23.6%
Metropolitan Districts	✓	✓		-9.0%	-5.4%	-5.5%	-18.7%
Inner London Boroughs	✓	✓		-7.9%	-4.6%	-4.7%	-16.3%
Outer London Boroughs	✓	✓		-11.0%	-6.7%	-7.2%	-23.0%
Unitaries with fire	✓	✓	✓	-12.0%	-7.4%	-7.5%	-24.5%
Counties with fire		✓	✓	-14.9%	-9.6%	-9.7%	-30.6%
Counties without fire		✓		-15.1%	-9.8%	-10.6%	-31.5%
Shire Districts	✓			-15.1%	-7.8%	-13.7%	-32.4%
Fire Authorities			✓	-8.9%	-4.0%	-1.5%	-13.9%
England				-10.6%	-6.2%	-6.5%	-21.6%

3. Retained Business Rates

The tables below sets out the key components of the Business Rates Retention Scheme as they apply to West Devon.

Table 4 - Elements of the Business Rates Retention Scheme

Element	2016/17	2017/18	2018/19	2019/20
Baseline Funding Level (£m) ^a	1.508	1.539	1.588	1.645
Baseline Business Rates (£m) ^b	4.527	4.505	4.649	4.815
Tariff / Top Up (£m) ^c	-3.019	-2.966	-3.061	-3.170
Levy Rate (pence in the £) ^d	50	50	50	50

- (a) The Baseline Funding Level is the share of your authority's SFA that DCLG intends to be funded via locally retained business rates (with the remainder coming from RSG).
- (b) Baseline Business Rates are DCLG's projection of your authority's share of business rates, assuming there has been no change in the physical tax base since the start of the scheme. It increases each year in line with the small business rate multiplier.
- (c) Tariff / Top Up is calculated such that, if your authority's actual business rates were equal to its Baseline Business Rates, then its final revenue would equal its Baseline Funding level.
- (d) The Levy Rate is applied to growth in your authority's business rate revenue which exceeds its Baseline Business Rates.

Table 5 - Safety Net Threshold

	2016/17	2017/18	2018/19	2019/20
Safety Net Threshold (£m)	1.395	1.424	1.469	1.522
Baseline Funding Level (£m)	1.508	1.539	1.588	1.645
Baseline Business Rates (£m)	4.527	4.505	4.649	4.815
% reduction in business rates income to be eligible for threshold ^a	-2.5%	-2.6%	-2.6%	-2.6%

- (a) This is calculated on the assumption that the authority's actual retained business rates are equal to its assumed Baseline Business Rates.

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
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)	Reserve from 12/13
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)	2,618	(3,345)	
TOTAL UNEARMARKED RESERVES	(1,055)		25	(1,030)	Projected overspend of £25,000 for 2016-17
TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)	(3,450)	(3,568)	2,643	(4,375)	

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Summary of the Members' Budget Workshop – 3rd October 2016

A Members' Budget Workshop was held in order to carry out a full review of the Council's Medium Term Financial Strategy (MTFS) and to look at the eight themes within Our Plan. This was to give all Members the opportunity to influence and shape the forthcoming Budget Setting Process for 2017-18. The key points of the Medium Term Financial Strategy were discussed and reviewed. The Member Workshop also looked back on last year's feedback from the Members' Budget Workshop held in 2015.

Themes within 'Our Plan':-

Homes and Communities Themes

On the Homes Theme, Members were asked what they feel are their priority projects and were there any gaps which Members feel we should investigate further. The following were discussed:

- Community Land Trusts/VHI/community led fund
- Self Build/Self finish in terms of serviced plots
- Temporary accommodation – Tiny houses
- Best use of stock
- Shared housing for under 35's – what can we do?
- Communities & Neighbourhood Planning

The discussions and Member responses were as follows:

- Affordable housing in rural areas is slow to deliver and often beset with problems e.g. the developer goes into liquidation.
- Discussion on the investment return from the Housing Capital Programme (£200,000 annual investment). We are delivering affordable homes for local people which is a Council priority, albeit it with no direct return apart from New Homes Bonus. Discussion on should we still put cash into Affordable Housing? Some Member support for the £200,000 annual investment.
- If the Council developed housing through the LACC it would be exempt from the Right To Buy.
- Await results of the Autumn Statement, potentially money available for small builders
- Discussed Community Land Trusts – there is one in Chagford that is all. The Council should be trying different ways of delivering housing. Some Members felt CLTs were very time consuming.
- Going into partnership with Housing Associations to build housing for specific groups. The Council to provide the capital and get a return.
- There is not enough small, market housing for older people to downsize into. The Borough needs open market homes for elderly persons to downsize into, Blue Cedar Homes Model.

- Some Members felt the Council could put covenants on the land to protect our investment, particularly as in the future we could be losing housing stock through the Right to Buy.
- Members referred to the Innovation Fund (Invest to Earn) Earmarked Reserve which currently had a balance of £905,000 remaining.

Well-being Theme

Through grant and contract funding, the Council works with a number of partners to discharge both its statutory duties and strategic priorities, which in turn deliver positive health and wellbeing outcomes for residents in the District.

The question was asked of 'Would Members support opportunities to work more closely with the voluntary sector?'

Members were keen on stripping out duplication for customers (where partners such as the CAB were seeing the same customers as the Council regarding housing or benefit enquiries). Concerns were raised over resilience and the cutbacks that the voluntary sector had also had to make.

A series of small suggestions which could improve how effective our partners can be at delivering better services for our shared customers were made such as co-location, dedicated phone lines and using sound websites such as the CAB's to signpost customers, rather than duplicating the same content on our own website.

Infrastructure and Heritage Theme

The majority of Members were keen on the idea of both charging for duty and introducing planning performance agreements (PPAs). However a smaller number of Members felt that the duty should be free as part of the Council services.

The Key factors were;

Duty

To ensure that where people need to access information about active applications that this is isn't chargeable

Reasonable charge

Ensure service is of value - timely, suitably experienced staff etc.

Consult and advertise changes

PPAs

Ensure that it is simply help through the process

Ensure it is not a twin track process – i.e. those who can afford it get a better/quicker service

In both cases Members agreed that income should be ring fenced to Development Management for the first year and then a decision made based on a business case and future forecasting from then on.

Next steps - in line with the Peer Challenge Action Plan – to review present arrangements and cost out future options.

Resources Theme

Members were in support of increasing Council Tax by the maximum allowable (which is £5 for 2017/18). This measure would increase the base budget for ensuing years and protect the delivery of services and the Council's financial resilience.

Members asked for Officers to undertake a review of Earmarked Reserves and to report back to Members in December as part of the Draft Budget for 2017-18 for Members' consideration.

Investigate the purchase of vacant business properties (Okehampton and Tavistock) and convert them into flats.

Use of New Homes Bonus (NHB) funding

Support for an element of NHB to be used to continue to support funding the Revenue Base Budget. This is currently predicted to be £700,000 for 2017-18.

ICT Strategy

Resilience is a top priority for ICT as this causes the most discontent. Need to ensure an uninterrupted power supply at all times. Members had concerns that sometimes there may be patches put on, rather than a whole solution. Concerns of over-reliance on one individual in some areas.

Disaster Recovery is a priority for Members. Practical issues need to come out of the Strategic Principles within the ICT Strategy – e.g. demand reduction. There is Member concern that the system could be overloaded at times. Members said they would be prepared to consider putting temporary additional resource into ICT on a business case basis. It was discussed that a report would be being presented to Members on the ICT Strategy.

Members were pleased with the work happening on the new website. Member frustrations with their iPads e.g. the ability to do tracked changes on documents, having to maintain two separate diaries etc.

There was a discussion about possible scope creep in new IT and around possibilities with the Cloud. Wi-Fi access is an issue.

Environment Theme

There was a discussion around the fact that a large proportion of the Environment budget is tied up in committed costs e.g. contract costs, fuel/manual costs etc. so a smaller proportion is discretionary in terms of being able to offer to improve the revenue budget.

Ideas discussed were as follows:

Invest to save – capital bids for waste and cleansing, CCTV cameras (fly tipping) – capital outlay but potential revenue savings. Business cases required.

Education – preventative work e.g. fly tips (reduce revenue costs), pro-active to boost recycling (increase income from sales and credits)

Increase income – charge for public toilets to rebalance costs

Garden waste – More tailored system suggested.

Trade waste – may be limited opportunities in this area

Building & grounds maintenance – more opportunities for income if working through a LACC

The Member groups discussed the discretion for fees and charges to be applied in this service area and the impact of this. There was a clear motivation to continue to improve on recycling performance and to increase income through increased recycling sales. It was also acknowledged that this is currently being affected by changes in national behaviour which the Council needs to take account of.

Economy Theme

Areas the council should consider for income generation / efficiencies:

- Direct delivery of housing on council owned land
- Acquiring land to deliver housing or employment accommodation (without necessitating a Housing Revenue Account)
- Letting housing
- Increasing commercial investments to ensure the right accommodation is available and/or land which can be developed for employment uses (to retain / attract businesses to the area)
- Discussions around the provision of car parking facilities
- Views were expressed by Members that the Council needs to step in where there is a gap in the market e.g. making sure there are suitable business premises in the area, particularly start-ups, but also sites for expanding businesses
- Extending commercial waste services, e.g. clinical / offensive waste, trade waste, holiday homes, recycling services
- Review of the treasury management strategy to increase the return from monies held (to explore opportunities and to look at risk versus returns)
- There should be greater collaboration between public bodies – not just devolution, with a focus of reducing cost and improved service delivery
- Work in partnership with RSLs to invest in property for shared rewards, not just housing, but stock improvement (e.g. investment in renewable energy)
- Greater borrowing at historic low levels to generate long term revenue streams (e.g. property or land investment). Don't be afraid to "think big" in terms of borrowing if there is a robust business case to support it and generate profits.
- Planning fee related income – increased pre-application advice

Support for the Economy

- The Council should offer more signposting for economic queries, i.e. support new, existing, fledgling businesses
- Clarity required over whether the Council is seeking to sweat assets for financial benefit or for community benefit – financial principles

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APPENDIX G

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
19 December 16	Hub Committee – Draft Budget Proposals for 2017/18
10 January 17	Planning & Licensing Committee – To consider fee and charges within the remit of the Committee.
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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Investment Options

Report to:	West Devon Hub Committee
Date:	24 January 2017
Title:	Investment Options
Portfolio Area:	Cllr Bob Baldwin, Deputy Leader Business Development
Wards Affected:	All
Relevant Scrutiny Committee:	Internal
Approval and clearance obtained:	Yes
Urgent Decision:	N/A
Date next steps can be taken:	Recommendation to full Council
Author:	Darren Arulvasagam, Group Manager, Business Development Darren.Arulvasagam@swdevon.gov.uk

Recommendations: That the Hub Committee RECOMMEND to Council:

1. That the sum of £500,000 from the earmarked "Invest to Earn" reserve is used to invest in CCLA's (CCLA Investment Management Limited's) Local Authorities Property fund as detailed in section 5 of this report, with the investment being placed at the beginning of the 2017/18 financial year.
2. That a Member working group is set-up to work with officers to evaluate other invest to earn, income and efficiency opportunities for future consideration by the Council

1.0 **Executive Summary**

- 1.1 On April 5th 2016, Council approved the principle of utilising £300,000 from the "Invest to Earn" reserve to acquire 2 properties within West Devon, subject, as appropriate, to individual business case sign off by the relevant delegated authority and consideration of full legal and financial implications.
- 1.2 This report sets out the rationale for not proceeding with that recommendation and instead recommends investment into CCLA's Local Authorities' Property Fund. It is recommended that a sum of £500,000 is invested.

Investment Options

- 1.3 Officers have investigated the legalities around direct council acquisition of residential property for income generation purposes and found that this does not represent the best use of council tax receipts based on present legislation and the Council's current organisational structure.
- 1.4 Officers have consulted with the Council's treasury management advisers, Capita, who advised that the CCLA fund is unique in offering revenue returns and a revenue investment. Other property funds, which do not meet the regulation definition required for revenue classification require capital funds and generate capital returns. The Council requires revenue receipts to meet its forecast budget deficit.
- 1.5 Officers will continue to investigate other income generation and property investment opportunities and bring forward recommendations to Council in due course. To this end, it is recommended that an "Invest to Earn" Member working group is formed. They will assist officers to produce business cases and rationale ahead of reports to Council.
- 1.6 Additionally, legal advice is being sought from the Council's retained legal advisors in relation to the opportunities afforded to the Council if a South Hams / West Devon (SHWD) Local Authority Controlled Company (LACC) were to be set-up. It is anticipated that such an organisational structure would enable the Council to purchase and let property for income generation purposes in a less-restrictive manner, affording a greater return on investment.

2. Background

- 2.1. During 2015/16 the Councils reviewed their priorities and Members from both Councils agreed that their top priority was to achieve financial sustainability. Both Councils also stated that they did not want to see a reduction in the level and quality of the services delivered to their communities.
- 2.2. The Council's adopted Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling five year timeframe to 2021/22 which helps ensure that resources are aligned to the outcomes in Our Plan. The following table illustrates the predicted cumulative budget gap from 2017/18 onwards as reported to Hub Committee on 19th December 2016:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Budget gap/(surplus)	236,017	662,781	Nil	Nil	(189,908)
CUMULATIVE BUDGET GAP OVER THE FIVE YEARS TO 21/22					£708,890
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.					

Investment Options

- 2.3. The above 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. This means that over the period to 2021/22 the above amounts need to be found by way of savings and additional income generation, based on the current financial modelling.
- 2.4. On April 5th 2016, Council approved the principle of utilising £300,000 from the "Invest to Earn" reserve to acquire 2 properties within West Devon, subject, as appropriate, to individual business case sign off by the relevant delegated authority and consideration of full legal and financial implications
- 2.5. Officers have sought legal counsel regarding the implications of the Council purchasing and letting residential property to generate income. In summary, if the Council were to purchase property and let these to tenants, the tenancy created would be "secure". This means that the tenant would have a statutory "right to buy" the property at some point during their tenancy and this right would be at a discount on the market value. The Council would legally have to fund the discount. The minimum discount that must be offered is 35% after three years for houses or 50% after three years for flats. As an investment option, such a venture would not represent a good return on investment.
- 2.6. An example would be as shown in the table below. This assumes a purchase price of £150,000 for a 2 bedroom home and a 2% capital value increase per annum, with the tenant opting to buy the home in year five. It is clear from this example, that the Council would lose 28% of its capital value in this example.

Year 0 Purchase	150,000
Market Value Year 1 - 2% Increase	153,000
Market Value Year 2 - 2% Increase	156,060
Market Value Year 3 - 2% Increase	159,181
Market Value Year 4 - 2% Increase	162,365
Market Value Year 5 - 2% Increase	165,612
Sale @ 65% of Market Value	107,648
Discount Due	57,964
Loss to Council (excluding returns)	42,352
% Equivalent Loss On Investment	-28%

- 2.7. If the Council were to set-up a South Hams / West Devon (SHWD) Local Authority Controlled Company (LACC), it would enable the Council to issue non-secure tenancies and therefore avoid 'right to buy' liabilities. At present there is no definite date as to when a SHWD LACC could be in existence and able to trade. Using the LACC for housing investment is therefore not something that can be pursued at this time.

Investment Options

Officers will in due course continue to investigate the legalities of how to use a LACC effectively to purchase properties or retain some properties built as part of direct investment on SHWD land for ongoing rental purposes.

- 2.8. Another route open to the Council to enable it to issue non-secure tenancies (assured shorthold tenancies which do not attract 'right to buy' liabilities) would be to use the Council's existing s95 company, Servaco. However, in his statement of 20th March 2015, the Housing Minister said: "it is not acceptable for local authorities to establish new wholly owned or controlled housing companies deliberately to avoid the government's reinvigorated Right to Buy policy" "...Specifically, the government will not support the establishment of such companies where they are developing or acquiring and retaining new social or affordable units for rental purposes." Servaco has been dormant since it was incorporated. If Servaco were only to be used for housing purposes in order to issue non-secure tenancies, the Government would likely deem that the company was set-up specifically to avoid right to buy and would deem that any tenancy issued should be considered as "secure". This would mean that the Council's investment would be at risk, as per the example in 2.6 above. As the proposed SHWD LACC is not being specifically devised to issue non-secure tenancies, investment into residential rental property would not carry the same risk.
- 2.9. Due to the fact the Council cannot currently issue any form of tenancy other than a secure tenancy, if it is still the desire of the Council to invest some of its Invest to Earn Earmarked reserve, into property, officers recommend investing into a property investment fund.
- 3.0. **Churches, Charities & Local Authorities (CCLA) Property Fund**
- 3.1. A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. The Council's policy therefore has been not to invest in these more risky and less liquid forms of investment.
- 3.2. However, a variety of factors suggest that now may be an appropriate time to reconsider that approach, including:
 - (a) The perception of increased risk in bank deposits as a result of a reduction in confidence that the Government would bail out a failing bank.
 - (b) A growing UK economy that could support a more positive outlook for other forms of investment.

Investment Options

- (c) A challenging WDBC budget outlook that would benefit from the achievement of additional investment income.
- 3.3. Officers have therefore considered a variety of different forms of investment and have concluded that investment in a commercial property fund could be the way forward. UK Gilts and corporate bond funds could still face a challenging environment, whereas the commercial property market stands to benefit from forecast growth in GDP of in excess of 2% per annum over the next few years. UK Gilts are currently returning a yield of around 1%, whilst reasonably low risk equities generate around 3%.
- 3.4. The CCLA (Churches, Charities and Local Authorities) Property Fund has been specifically set up for local authorities, and currently has investments of over £673 million, with over 166 local authority investors including 9 county councils, 7 metropolitan councils/London boroughs and over 40 unitary and district councils. Devon County Council, Plymouth City Council and four Devon town councils are invested in the Fund. The fund own and operate 47 commercial properties across the UK, across various sectors with many having blue-chip tenants. By investing in this fund, WDBC would be able to diversify its risk exposure across the UK and multiple property types and sectors, as opposed to be solely investing in the WDBC property market by purchasing two houses within the borough.
- 3.5. The income yield over the course of the investment is likely be around 5%, significantly above the rates available for term deposits with banks. The income yield will vary from year to year, but tends to be within a fairly narrow range. A £300k investment would have the potential to yield up to £15k additional investment income in its first full year to help offset the budget pressures facing the Council. A higher investment would generate proportionately higher returns, e.g. £500k would generate £25k per annum.
- 3.6. However, there are risks that should not be discounted. The capital value of property can go down as well as up, and therefore the capital redeemed at the end of the investment could be less than the sum initially invested. There are also charges that would need to be met – a 5.75% charge on entry, a management charge of 0.65% per year, and a charge to redeem the investment of 1.55%. This means that any investment would need to be medium to long term, a minimum of 3 to 5 years, and capital growth would need to be around 3% per year to ensure that the capital redeemed at the end of the investment was at least equal to the initial amount invested. The investment could be redeemed at any time, but it may take 3 to 4 months from the time that the redemption request was made for CCLA to liquidate sufficient of its holdings in order to return the funds. If the Council only invested less than £500k, in normal market conditions it is likely that this could be returned to the Council within one month of the request.

Investment Options

- 3.7 It should be noted that the charges above are similar to those that the Council would incur if it were to buy residential property. Stamp duty on an investment property is 5%, whilst agents fees on disposal, legal fees on acquisition and disposal and ongoing management fees for the property would equate (or even exceed) the above costs. The management charge of 0.65% is lower than most typical investment bonds / pension funds, which typically charge 0.75% as an annual fee.
- 3.8. Appendix A shows a CCLA Property Fund Fact Sheet. Appendix B shows the last 12 month's performance for CCLA prices and yields. Further details about CCLA can be found at www.ccla.co.uk Investments into this fund do not count as capital expenditure; dividends are treated as revenue income and the investment is treated as an "available for sale", financial asset. The council could invest and then sell at a later date and this means not only does the Council obtain regular returns (Paid quarterly), it also has the potential to benefit from an increase in "capital" value.
- 3.9. The potential return of 5% is approximately 8.5 times higher than the forecast treasury management return. In 2016/17, the average current return achieved is c0.59%.
- 3.10. Data from local property agent Vickery Holman has found the following investment yields:

	Residential	Industrial	Office
Oct 2007	3.0%	6.25%	5.75%
Oct 2012	7.0%	8.50%	8.00%
Oct 2014	6.0%	7.50%	7.75%
Jan 2016	5.0%	6.50%	7.00%

The above yields show that a return of 5% for the property fund is approximately equal to a residential yield. However, it is important to note some of the risks with residential investment: Tenants may not fulfil their contractual obligations and fail to pay, pay late or fail to quit the property at the end of their tenancy. The Council would also be subject to an insurance risk, the risk that the property market may crash, maintenance issues, borrowing costs in the event that the property is financed via prudential borrowing instead of from reserves, and / or the opportunity cost of cash.

4.0 **Options available and consideration of risk**

- 4.1. Members could opt to follow the recommendation or invest a higher or lower sum. Alternatively, members could opt to pursue an alternative investment strategy. Investment into this fund should only be considered if the investment can be maintained for a medium – long term, i.e. 3 to 5 years minimum.

Investment Options

If the investment needs to be liquidated before that timeframe, it is highly possible that the sum returned would be less than the sum originally invested.

- 4.2. The same issue could arise if the Council were to invest directly into property, where once the cost of stamp duty, agents fees, legal disbursements, maintenance and any void periods have been accounted for, the sum returned (after disposal costs) after a short holding period may be less than the sum originally invested.
- 4.3. The Council has for many years adopted a very cautious and prudent approach to treasury management. Lending has only been made to banks and building societies which have strong credit limits and meet the criteria set by the Council, using information published by the three major credit rating agencies. This policy has been maintained in the knowledge that putting security before liquidity or yield does impact on the income being generated from these investments.
- 4.4. Officers have consulted with two other local authorities who have already invested into the CCLA property fund. Devon County Council invested £10m in September 2015.
- 4.5. Officers conducted an online survey of West Devon Members after a Finance & Investment principles workshop held on 5th December 2016. At the workshop, officers explained the merits of the CCLA property fund and how this could form part of a balanced investment portfolio. The survey sought to understand Member views on the options presented. 16 WDBC Members were asked "Is it acceptable for the Council to consider investing in a property investment fund (CCLA) as part of a wider investment strategy?" – 87.5% responded positively.
- 4.6. **Set-up of an "Invest to Earn" Working Group**
To help officers develop their thinking on bringing forward income generation and efficiency proposals, it is suggested that a working group be set-up. It is envisaged that this group would be formed from no more than 4 elected Members and would (as need dictated), meet with an equivalent SHDC working group. It would be called the "Invest to Earn Working Group" and would work in conjunction with officers on any project or initiative linked to income generation, investment strategy or efficiency improvement.
- 4.7. Working group Members would provide input and engage/act as advocates with the wider membership on proposals. Members will suggest, consider and evaluate proposals and help officers to shape these, agreeing parameters, criteria and ultimately assist with building credible business cases for presentation and approval at the appropriate Council committee. A suggested terms of reference is shown in appendix C.

Investment Options

5.0 Proposed Way Forward

- 5.1. It is proposed that if the Council approve this report's recommendations, officers invest the £500,000 into the CCLA property fund at the earliest opportunity. This investment would be monitored as part of the treasury management function, but it is anticipated that the investment would be left to generate income for a minimum of five years. This type of investment will be less onerous for officers to manage than acquiring two residential properties for let.
- 5.2. It is recommended that £500,000 is invested as there is £880k available in the 'Invest to Earn' reserve. The remainder of the 'Invest to Earn' reserve will be used to seed fund other asset related invest to earn initiatives. This amount exceeds the £300,000 originally proposed in March 2016, however it is felt that this initiative puts the money to good use now whilst other initiatives are prepared.
- 5.3. Officers will continue to evaluate property investment opportunities and will also obtain legal advice as to how the emerging plans for a SHWD LACC could open alternative income generation opportunities. When appropriate, proposals will be brought to Council for decision. These opportunities would initially be discussed with the proposed 'Invest to Earn' working group (if approved).

6.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 05/04/16 – CM61 (and Audit Committee 15/03/2016 – AC32). It sets out the Council's investment priorities as being:</p> <ul style="list-style-type: none"> • Security of capital; • Liquidity; and • Yield. <p>The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information. The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating are required together with a limit of £3m per counterparty. The TMSS will need to be updated accordingly before the CCLA investment can be made. It is anticipated that this will be updated to allow investment in CCLA after 1st April 2017.</p> <p>Setting up a working group and agreeing to invest in the CCLA fund both require Council approval.</p>

Investment Options

Financial	Y	An investment in the CCLA Property Fund will represent an increased risk of loss of capital in comparison to the use of term deposits with banks and building societies, but during a period when the UK economy is expected to grow this may be an acceptable risk. Such an investment has the potential to provide a significant increase in investment income that could contribute towards the predicted budget gaps highlighted in the Medium Term Financial Strategy.
Risk	Y	The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines. The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/A
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	N/A

Supporting Information

Appendices:

Appendix A – CCLA Property Fund Fact Sheet

Appendix B – CCLA Historic Prices & Yields Note, December 2016

Appendix C – Draft Terms of Reference for Invest to Earn member working group

Background Papers:

- Income Generation Proposals Report– presented to Hub Committee, 22nd March 2016
- MTFs, presented to Hub Committee September 20th 2016
- Revenue & Capital Budget Proposals Report – 2017/18, presented to Hub Committee December 19th 2016
- Annual treasury strategy in advance of the year (Audit 15/03/16 – AC32)

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes

Investment Options

SLT Rep briefed	Yes
Relevant Exec Director sign off	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted	n/a

The Local Authorities' Property Fund

Fund Fact Sheet – 30 September 2016

Investment Objective

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

Investment Policy

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

Suitability

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

Independent Governance

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

Who can invest?

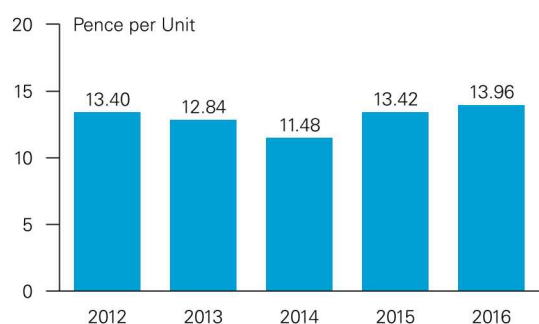
Any local authority in England, Wales, Scotland and Northern Ireland.

Income

Gross dividend yield	4.89%*
AREF/IPD™ Other Balanced Property	3.96%
Fund Index yield	
Official Bank Rate	0.25%

* Based upon the net asset value and historic gross annual dividend of 13.8136p.

Past distributions



Unique accounting advantages

Unlike other property fund investments or even direct property purchases, investment in the Fund does not count as capital expenditure for English or Scottish local authorities. Dividends are treated as revenue but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

Fund update

Transaction volumes declined in the quarter as a number of investors pulled back from the market in the aftermath of the Brexit decision. This exacerbated the normal summer lull in trading. Valuations declined but were influenced more by valuer caution than any significant increase in selling pressure. In terms of office properties, the City of London and, more broadly, the south east were the areas where values were most questioned. In contrast, industrial properties remained well sought after. Occupier trends continued to strengthen although expectations for the rate of rental growth over the next year have been reduced.

The Fund continued to experience cash inflows over the quarter. One asset was added to the portfolio; an industrial estate in North West London. Negotiations are advanced for another industrial asset, this time in the Midlands.

Asset allocation



Discrete year total return performance (net)

12 months to 30 September	2016	2015	2014	2013	2012
The Local Authorities' Property Fund	+2.9%	+15.2%	+20.1%	+4.8%	+4.7%
Benchmark	+4.3%	+14.8%	+17.3%	+3.9%	+2.1%

Annualised total return performance (net)

Performance to 30 September 2016	1 year	3 years	5 years
The Local Authorities' Property Fund	+2.9%	+12.5%	+9.3%
Benchmark	+4.3%	+12.0%	+8.3%

Benchmark AREF/IPD™ Other Balanced Property Fund Index. Net performance shown after management fees and other expenses. Past performance is no guarantee of future returns. Source: CCLA

Top ten property holdings – total 45.1%

London, Stockley Park, Longwalk	Coventry, Torrington Avenue
London, Kingsway	Cambridge, Science Park
Bracknell, The Arena	London, Fenchurch Street
London, Beckton Retail Park	Edinburgh, Lochside Avenue
Bristol, Gallagher Retail Park	Nottingham, Queens Drive

Key facts

Total fund size	£623m
Current borrowing	£0m
Number of holdings	48

Income units

Offer (buying) price	301.38p (xd)
Net asset value	282.32p (xd)
Bid (selling) price	277.95p (xd)
Bid/offer spread	8.3%

Launch date	18 April 1972
Unit types	Income
Minimum initial investment	£25,000
Minimum subsequent investment	£10,000
Dealing day	Month end valuation day*
Sedol & ISIN numbers	0521664, GB0005216642
Dividend payment dates	End January, April, July & October
Annual management charge (taken 100% from income)	0.65%

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

CCLA FUND MANAGERS LTD

Income payments are now made gross of tax.

Any outstanding historic tax reclaims should be addressed to:
Glynis Free
Specialist Repayment Team
7 South
Ty - Glas
Cardiff CF14 8HR
Telephone 03000 580618 9.30am - 1pm

Senator House

85 Queen Victoria Street
London EC4V 4ET

Client Service

Freephone: 0800 022 3505

clientservices@ccla.co.uk

www.ccla.co.uk

D5/SEP16

Important Information

Investors are not certain to make profits; losses may be made. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

CCLA Fund Managers Limited (registered in England no. 8735639 at the office above) is authorised and regulated by the Financial Conduct Authority (FCA) and is the manager of the Local Authorities' Property Fund.

**The Local Authorities' Property Fund
Prices and Dividend Yields**



End of	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16	Mar-16	Feb-16	Jan-16
Offer Price p	305.24	302.55	301.32	301.38	302.71	302.74	302.80	315.17	313.21	312.67	310.72	310.95
Net Asset Value p	285.94	283.42	282.27	282.32	283.57	283.60	283.65	295.24	293.41	292.90	293.83	294.04
Bid Price p	281.51	279.02	277.89	277.95	279.17	279.20	279.25	290.66	288.86	288.36	289.27	289.49
Dividend* on XD Date p	3.22			3.29			3.45			3.67		
Dividend* - Last 12 Months p	13.63	13.79	13.79	13.79	14.16	14.16	14.16	13.96	13.96	13.96	13.70	13.70
Dividend Yield on NAV %	4.77	4.86	4.88	4.88	5.00	4.99	4.99	4.73	4.76	4.77	4.66	4.66
Fund Size £m	663.6	648.7	637.2	622.9	617.2	617.3	617.5	636.1	600.1	598.9	584.3	576.7

* The dividend is paid gross and is after all charges

Source: CCLA

Risk Warning

Please remember that the value of units and the income from them can fall as well as rise and an investor may not get back the full amount invested. Past performance is no guarantee of future returns. The Property Fund's unit value will reflect fluctuations in property values and rents. The units are intended only for long-term investment and are not suitable for money liable to be spent in the near future. They are realisable only on each month end valuation date and a period of notice may be imposed for the redemption of units.

CCLA FUND MANAGERS LIMITED

Senator House
85 Queen Victoria Street
London EC4V 4ET
Telephone: 0800 022 3505
www.ccla.co.uk

CCLA is Authorised & Regulated by the Financial Conduct Authority.

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WDBC Invest to Earn Working Group – Draft Terms of Reference

Purpose / role of the team:

- The identified group will work in conjunction with officers on any project or initiative linked to income generation, investment strategy or efficiency improvement.
- Members will provide input and engage/act as advocates with the wider membership on proposals.
- Members will suggest, consider and evaluate proposals and help officers to shape these, agreeing parameters, criteria and ultimately assist with building credible business cases for presentation and approval at the appropriate Council committee.
- The initial priorities for the group will be to consider:
 - a significant capital investment in commercial property using prudential borrowing;
 - developing Council-owned assets utilising the Council's Invest to Earn reserve
 - other income generation and efficiency opportunities

Membership:

- The team will be made up 3 elected Members, working with officers from the Finance & Assets CoP and from Strategy & Commissioning. Other officers will interact with the group on an as needs basis
- The team will be politically balanced
- The elected members will have as a minimum have an interest in the financial sustainability of the Council and knowledge of the Council's property assets and ideally an understanding of investments
- Any member not attending three consecutive meetings shall be dropped from the group and a replacement sought
- Other Members will be welcome to observe group meetings

Accountability:

- Team members are responsible for reporting back on the activities of the team to the their group and the wider elected membership

Review:

- The team will review the relevance and value of its work and the terms of reference every year, with the first review due in January 2018.

Meetings:

- The meetings will be chaired by the Group Manager, Business Development.
- The Group Manager, Business Development will act as secretariat for the meetings and will be responsible for the circulation of an agenda and papers before the meeting

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Agenda Item 8

NOT FOR PUBLICATION

Appendix A to this report contains exempt information as defined in paragraph 3 of part 1 of schedule 12a to the Local Government Act 1972

Report to: **West Devon Hub Committee**

Date: **24 January 2017**

Title: **ICT Strategy 2017 - 2019**

Portfolio Area: **Support Services – Councillor C Edmonds**

Wards Affected: **All**

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

Author: **Mike Ward** Role: **IT Community of Practice Lead**

Contact: **email: mike.ward@swdevon.gov.uk 01803 861310**

Recommendation:

That the Hub Committee RECOMMENDS to Council to approve the ICT Strategy Document.

1. Executive summary

The ICT strategy reflects the shared priorities of SHDC and WDBC. Its purpose is to provide a coherent plan of activities which results in providing facilities and services which are designed to improve and enhance the services delivered by the Councils. The strategy will be reviewed annually to incorporate changing business requirements and technology.

It will position the ICT service as an innovative, resilient and robust service provider which meets the high expectations of the Council's customers and its employees.

2. Background

The ICT strategy is written to provide a clear, coherent set of deliverables which together will place the organisation in a strong position by delivering digital services and solutions from a safe, robust, reliable, responsive platform, to the benefit of the organisation, its partners, communities and visitors.

It supports and compliments the Councils' new ways of working, the Future Model and our transformation journey. It is designed to enhance organisational effectiveness and so help to deliver "Our Plan".

2. Outcomes/outputs

Successful implementation and delivery of this strategy will provide tangible improvements to the services the Councils deliver, some examples being;

- An excellent web site experience, focussed on the needs of the customer, with demonstrable channel shift.
- A Faster redesigned Intranet for internal self-service.
- A new telephony solution offering greater reliability, flexibility and scalability.
- Quicker smoother experience when accessing digital resources at home.
- Migration of office applications to the cloud for improved flexibility, collaboration and availability.
- More responsive applications, such as W2 and APP to improve productivity.
- Faster, more comprehensive backup and recovery.
- An expended window of system availability to support agile working.
- A redesigned and fully tested business continuity procedure.

4. Options available and consideration of risk

The implementation of the strategy will greatly reduce the risk currently carried by the organisation in terms of system availability, speed of recovery, service resilience and service to the public.

Consultation had taken place with Council Members, SLT and members of ELT. The strategy has found acceptance and there is a particular appetite for the improvement and renewal of the Council's websites.

5. Proposed Way Forward

The Hub Committee recommends to Council to approve the ICT strategy.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>This is a new ICT Strategy designed to support the Councils' shared priorities and to ensure the delivery of timely and efficient services. The Council's Constitution requires that the Strategy is considered and approved by Members.</p> <p>Since there is commercially sensitive information in Appendix A, regarding the budgets for individual contracts, there are grounds for the publication of this appendix to be restricted, and considered in exempt session. The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in the appendix. Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial	Y	<p>The annual cost of existing contracts and commitments to deliver ICT services across both Councils is £540,000. This covers Call Centre, Telephony, Internet and Office connectivity, Northgate, Civica, Microsoft Windows and Office licences.</p> <p>The cost of ICT Capital investment required for 2017/2018 is predicted to be £150,000. This includes renewal of hardware, one off software purchases and Cloud setup and support consultancy.</p> <p>The revenue budget proposals for 2017/2018 in each council recommend to contribute an annual amount into the ICT earmarked reserve to fund ICT investment.</p>
Risk	Y	<p>A decision to accept the recommendation will serve only to reduce the risk the Councils are currently exposed to by not replacing old hardware running over capacity and beyond its ability to provide the resilience it was originally designed to.</p> <p>Furthermore, acceptance of the strategy will quickly yield the benefits of a new web site associated channel shift.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity	Y	Positive impact for web users requiring the use of assistive technology. Enhancement to delivery of services remotely.
Safeguarding	N	None
Community Safety, Crime and Disorder	N	None
Health, Safety and Wellbeing	N	None
Other implications	N	None

Supporting Information

ICT Strategy 2017 – 2019
Appendix A 2017/18 revenue & capital expenditure

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. (Cabinet/Scrutiny)	Not Applicable

South Hams & West Devon ICT Strategy



2017 - 2019

Page 85
Working together



South Hams
District Council



West Devon
Borough
Council

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Executive Summary

The strategy is effective for the period 2017 to 2019 and will be reviewed annually. It is designed to support eight core principles which collectively aim to provide ICT solutions which align with, support and enhance the service delivery aspirations of the Councils and “Our Plan”.

The IT strategy reflects the shared priorities of South Hams District Council and West Devon Borough Council. It sets out to build and improve on the work the IT Community of Practice (CoP) has done so far in enabling the councils to realise the benefits of their transformation into a new operating model, and recognises the key role technology plays in delivering its services efficiently. It will position the IT service as an innovative, resilient and robust service provider which meets the high expectations of the councils customers and its employees.

The strategy commits to the implementation and support a new web site focussed on self-service and demand reduction, a new Intranet and the facilitation of self service for staff. It aims to ensure home and agile working is as quick and easy as office based and that mobile locality workers have the tools they need to do the job. Collaboration and communication are paramount and the existing telephony platform will gain improved resilience while better collaboration tools will be evaluated. Our high standard of security will be maintained while making access control as transparent as possible.

Data governance will be improved and policies will be designed to reflect this. There will be a greater focus on business continuity with a revision of hardware and procedures. Consideration to Cloud solutions will be given where appropriate and cost effective, though the councils have a variety of solutions in place, and not all are appropriate for Cloud Hosting.

The IT CoP will continue to lead on developing, researching and presenting solutions which will support the organisations aspirations of customer focus, efficiency, channel shift, demand reduction, availability, security and resilience.

We will continue to act as a technology partner, adviser and broker at the interface of business and supplier.

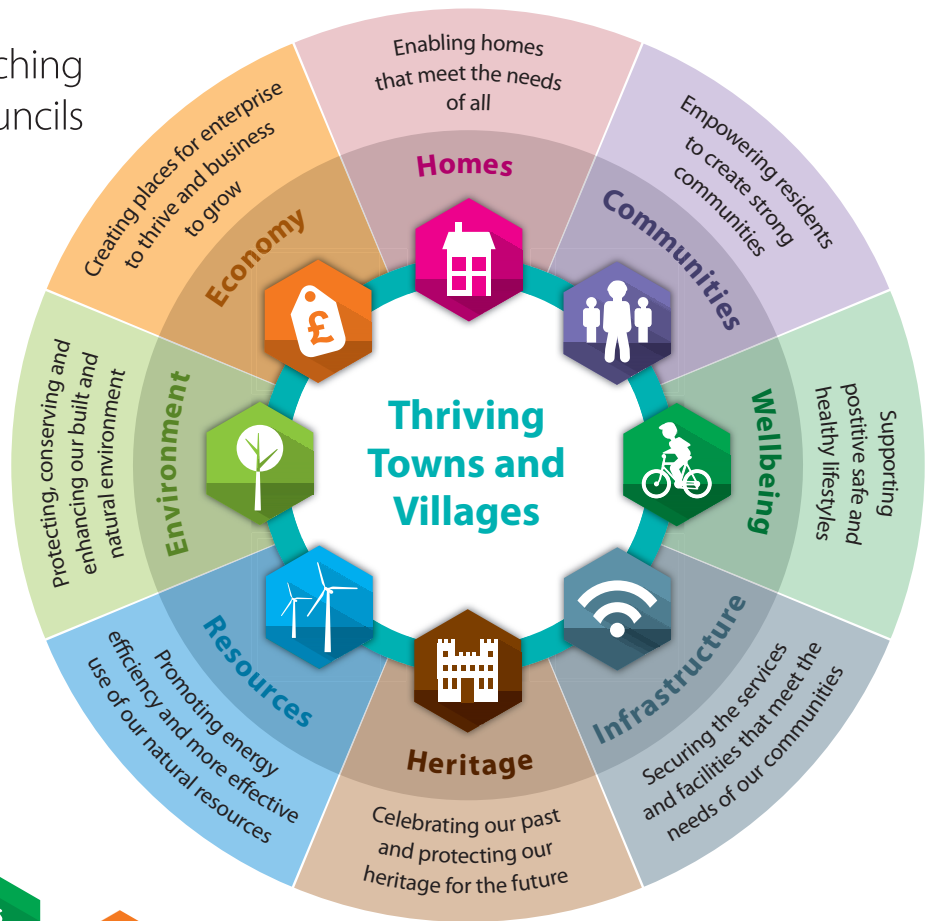
In developing this strategy IT CoP members observed, listened to and evaluated the activities, views and opinions of a number of companies and organisations including SOCITM and exhibitors at SOCITM events, DELT, STRATA, Cornwall Council, Civica, Goss, Microsoft, Nexus, SWWARP, Secure South West 8, The Cabinet Office.



Mike Ward
IT Community of
Practice Lead

Context

Our Plan will be an overarching strategic plan for both Councils up to 2031. It will cover a wide range of topics, from issues such as community wellbeing, energy needs and landscape protection through to employment growth, housing and infrastructure.



“Our Plan”, is supported and delivered by individual internal strategies for service delivery, including the ICT strategy.

Successful implementation and delivery of this strategy will provide tangible improvements to the services the Councils deliver, some examples being;

- ◆ An excellent web site experience, focussed on the needs of the customer, with demonstrable channel shift.
- ◆ A faster redesigned Intranet for internal self-service.
- ◆ A new telephony solution offering greater reliability, flexibility and scalability.
- ◆ Quicker smoother experience when accessing digital resources at home.
- ◆ Migration of office applications to the cloud for improved flexibility, collaboration and availability.
- ◆ More responsive applications, such as W2 and APP to improve productivity.
- ◆ Faster, more comprehensive backup and recovery.
- ◆ An expanded window of system availability to support agile working.
- ◆ A redesigned and fully tested business continuity procedure.



Principles



The strategy is designed to support the **eight core principles** which collectively aim to provide ICT solutions which align with, support and enhance the service delivery aspirations of the Councils and “Our Plan”.

1. Driving Demand Reduction

Core component of the Future Model. Less demand equals less cost. Moving public facing and internal transactions to a self-service channel and ensuring those channels are available 24x7.

2. Supporting Agile Working

Key to the Council’s transformation. Supporting an Agile, mobile workforce to be equally productive wherever they are. Reduces the need to travel and the amount of office space required.

3. Assisting Locality Working

Core component of the Future Model, a presence out on the street, further reduces demand and speeds up delivery of service.

4. Increasing Productivity

Using technology to enable the workforce to be productive no matter when or where.

5. Enable Communication

Making the Councils and colleagues more accessible regardless of location.

6. Maintain Security

Protecting the Council’s network and data to the highest standard whilst supporting the Council’s business requirements.

7. Improve Performance

Researching and evaluating new and cost effective ways to support the Councils service delivery. Providing Measurable performance and transparent risk management.

8. Define Data Governance and Policy

Creating, contributing to, and implementing policies and procedures which together, ensure the safe, secure and legally compliant delivery of the Councils IT service and other Council services.

ICT Strategic Principles

1. Driving Demand Reduction

Channel Shift

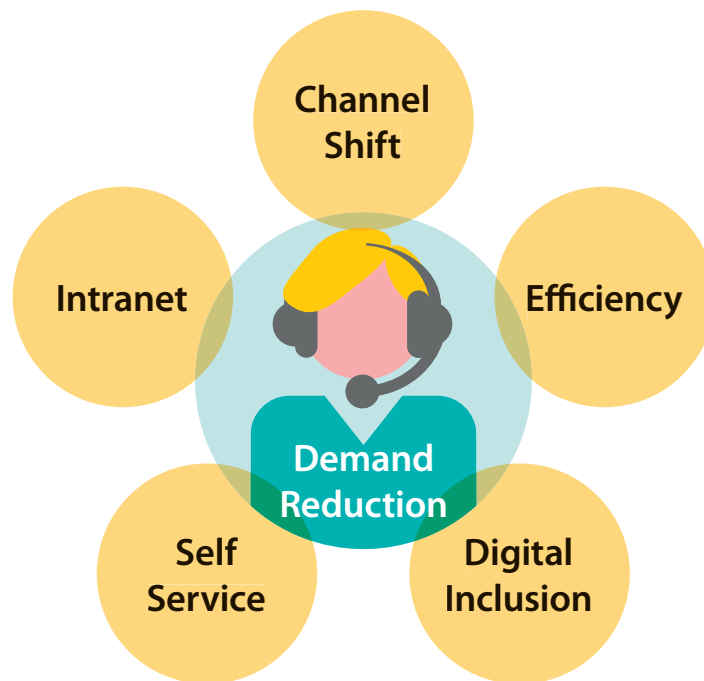
Our transformation identified significant savings by reducing demand on our services and encouraging citizens to self-serve via the web site. We will provide a web platform which is the channel of choice for citizens who prefer to engage with us electronically. In order to achieve this our existing web site will be replaced and redesigned to create fast, friendly customer journeys, and where information is easy to find regardless of the device used to access it. We intend to drive customer demand back to the web and away from the phones.

Our Web Site and the platform it runs on will be renewed and enhanced. Speed and resilience will be further enhanced with the site being hosted and supported externally with a 99.99% uptime SLA.

We will improve internal self-service and reduce cost by replacing the existing Intranet platform with one which gives us more control and customisation possibilities which will encourage an internal channel shift to request services via the Intranet.

The IT CoP will continue to support, implement and assist the councils in maximising the benefits from its current technology or proposing new solutions where appropriate. We will ensure the best use is made of our GIS assets and spatial datasets.

Working alongside business areas, we will ensure that existing systems deliver the maximum benefit to the councils, and keep under review their cost effectiveness and suitability whilst considering alternatives where improvement or cost saving can be demonstrated.



<< We intend to significantly reduce demand for phone and face to face transactions as a result of our website focus. >>



Digital Inclusion

We will continue to provide access to the public by provision of Internet enabled machines in reception areas, and be advocates of “mobile first” design principles for Council web sites, in acknowledgement of the fact the smart phones or tablets will be the only access channel available to some citizens.

Efficiency

Cheaper alternatives to existing software and contracts will be sought. Where appropriate, we will consider replacing commercial software with free, open source software. We will reduce cost and support overhead further by decommissioning and consolidating servers. We will integrate and automate processes which will reduce failure demand and increase reliability.

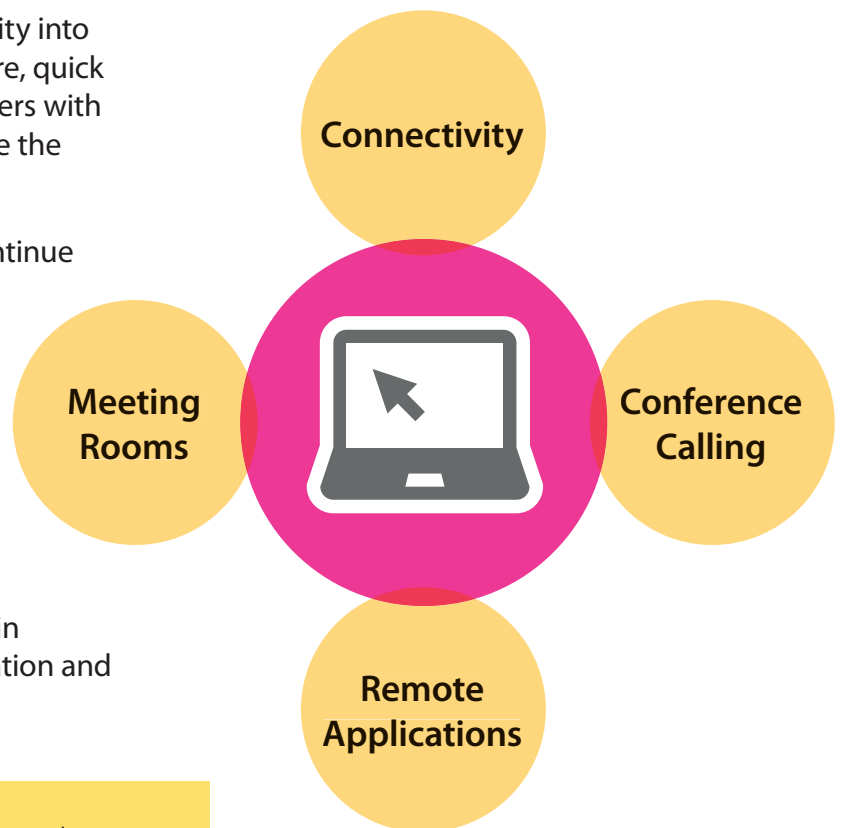
<< We will extend the window of systems availability significantly. We will be considering which software solutions will take the organisation successfully on the next stage of its journey. >>

2. Supporting Agile Working

We will continue to enhance connectivity into the corporate network, providing secure, quick and reliable connections for agile workers with proactive monitoring in order to reduce the demand on office space.

We will work with business areas to continue to expand the availability and support window of IT services in line with agile working practices.

We will oversee the equipping of meeting rooms with a common suite of easy to use technology which supports conferencing and communications between office based and home based staff, and the two main council sites, making meeting participation and conferencing simpler.



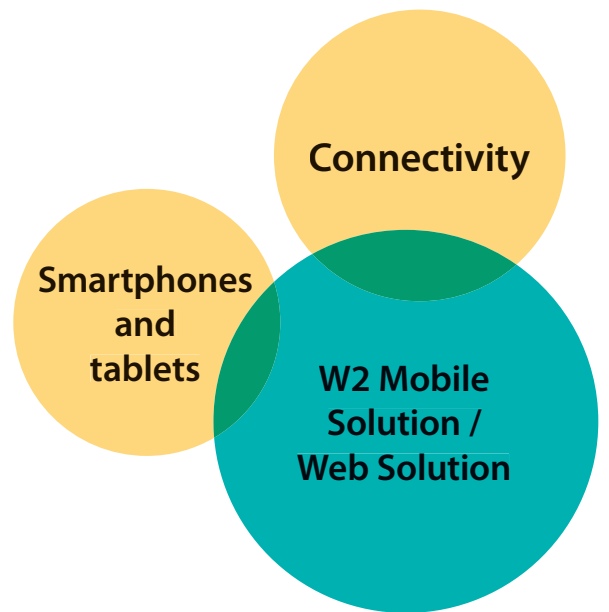
<< We expect there will be even less demand for office space as a result of improved connectivity and use of cloud based services. >>

3. Assisting Locality Working

We will determine and deploy the most suitable solutions to Locality Workers, promoting efficiency through enabling mobile access to back office systems via smartphones and tablets in a safe secure way.

We will continue to deploy and support the Civica Mobile Solution, with the assessment, configuration and securing of mobile devices.

We will evaluate and make recommendations regarding the most effective way of maintaining connectivity to the Internet and our network in an area where mobile signal can be patchy and some local broadband speeds are low.



<< We anticipate mobile data and broadband infrastructure will soon improve and may have the potential to support more bandwidth demanding applications. >>



4. Increasing Productivity

Collaboration

Implementation of cloud based systems will facilitate improved team collaboration and productivity.



Innovation

The ICT CoP will investigate and implement new or innovative software tools and platforms which have practical applications in our organisation.



Market Comparison

We will continue to analyse and review our current solutions from Civica in order to realise the best possible efficiencies and service provision. However, the existing application components will undergo comparison with other software solutions and where cheaper more reliable, more flexible alternatives are found, will be considered for replacement.



<< We will be evaluating some of our existing solutions against other market leading solutions and replacing where appropriate and cost effective. >>

5. Enable Communication

Telephony

The telephony refresh is already underway with new call centre software being installed, this will be complimented by routing all calls into the building via SIP trunks delivering lower monthly costs, the elimination of the existing analogue gateway, and provide more versatility and better integration with the new call centre software and Skype. The effect of this will be greater reliability and service availability, allow for better management of phone calls and produce more detailed and accurate management information.

Skype for Business

Continued support of Skype usage for all staff as a tool to enable efficient remote working, conference calls, video conferencing and collaboration.



<< We will begin evaluating cloud hosting of Skype servers to reduce support and maintenance. >>

Mobile

Where mobile telephony is required, for example by Mobile Locality Officers, we will evaluate, deploy and manage the most cost effective and appropriate device.

6. Maintain Security

Public Services Network Connectivity

To connect our network with the Government's Public Services Network (PSN), each year we are required to demonstrate that our network security arrangements, policies and controls meet the required level. We therefore commission annually, the independent testing of our network (IT Health Check or ITHC) after which we work to remedy or mitigate any security gaps and vulnerabilities which may have been identified. To gain our PSN connection certificate, we submit the results of the ITHC and Remediation Action Plan (RAP) for scrutiny.



Security with Ease of Access

All effort will be made to ensure access to our corporate network is as quick and simple as possible while maintaining appropriate levels of security. We will continue to secure the Council's digital perimeter with periodic evaluation and implementation of the most appropriate security solutions. We will replace Good for Enterprise with Airwatch and introduce authentication by "Touch Id". We will evaluate and deploy more cost effective methods of accessing the corporate network and resources remotely. We will implement a document security marking scheme in line with government guidelines, along with a retention and disposal scheme.

<< Looking ahead, authentication for retrieval of email to Council issued mobile devices will be by Touch ID where supported and remote access to the network via managed devices will be simplified. >>

7. Improve Performance

The IT CoP will work closely with the Service Desk Case Manager to develop a suite of targets, and measurable PI's which will enable the IT service to demonstrate high performance.

Resilience and Recovery

Agile and remote working demand an ever widening window of system availability. In order to meet this demand and provide, manageable, reliable system availability, we need to refresh the hardware platform which hosts our data and application servers.

The server cluster which hosts the majority of our virtual servers is currently working beyond its intended capacity. We plan to replace our existing cluster with new hardware which will give the system greater resilience and improved speed and response, which in turn leads to greater productivity and increased service availability.

We will replace our existing backup solution with one which provides faster, more versatile and reliable backup and recovery processes.

We will continue to evolve our proactive monitoring systems which, coupled with automated recovery processes will further reduce downtime and reduce service recovery costs.

Incident and Change Management

The IT CoP will reduce the impact of change by following industry standard incident and change management guidelines. We will manage ICT architectural changes by ensuring a Technical Design Authority assesses and manages design changes. Risk to service delivery will be mitigated by applying strict change control procedures to existing services.



Risk Management

The IT Cop will continually assess and manage risk to service provision and security, taking action, implementing new processes or escalating issues where appropriate.

ICT CoP Resourcing

We are continually investing in new hardware and software and we need to retain and develop skilled professionals to support and exploit them.

The CoP lead will continue to place emphasis on retaining and motivating a hardworking, highly skilled, creative and resourceful team capable of delivering this strategy. We are pleased to continue our partnership with Plymouth University, offering one year work placements to suitable undergraduates studying IT degrees.

◀ It is our aim to have retained our motivated and skilled team members and to have provided our student placements with the best possible work experience. ▶▶

Cloud Solutions

Cloud Hosting is simply the provision of applications on remote servers and accessing them over the Internet. There are many variants of this principle, but for some applications, the benefits of Cloud Hosting are the potential for greater availability, ease of recovery and a reduced maintenance overhead.

We will continually evaluate the cloud offerings and implement cloud based solutions where clear business benefits exist. We plan to evaluate and where appropriate deploy cloud based Microsoft Office 365 software, email, security functionality and file storage, with the aim of members and staff enjoying the 24x7 resilience and convenience of cloud based solutions.

<< We plan to determine those applications and servers which are candidates for cloud hosting and migrate them. This will reduce the investment required in servers and in house support and maintenance whilst increasing availability and resilience. >>



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8. Define Data Governance and Policy

The IT CoP will define, develop and deploy IT security and usage policies, and develop and test systems and procedures which support and enhance the Council's Business continuity plans, Disaster Recovery Plans, Emergency Planning Roles, and Information Governance requirements.

We will create a publication scheme which will define how we increase transparency with a commitment to following "open data" principles, facilitating and encouraging the publishing by the Councils of non-personal factual data for viewing and re-use.

<< We intend that the majority of the data we can publish, will be published and much of the data which is subject to Freedom of Information requests is already publically available. >>

IT Community of Practice

We have continued to play a lead role in the transformation of our Council's, implementing new platforms, software and applications, decommissioning old ones and supporting the "business as usual" work of the organisation.

We have achieved much over the last two years since the new structure begun and are now into our third year of working with Civica to deploy their solutions and software.

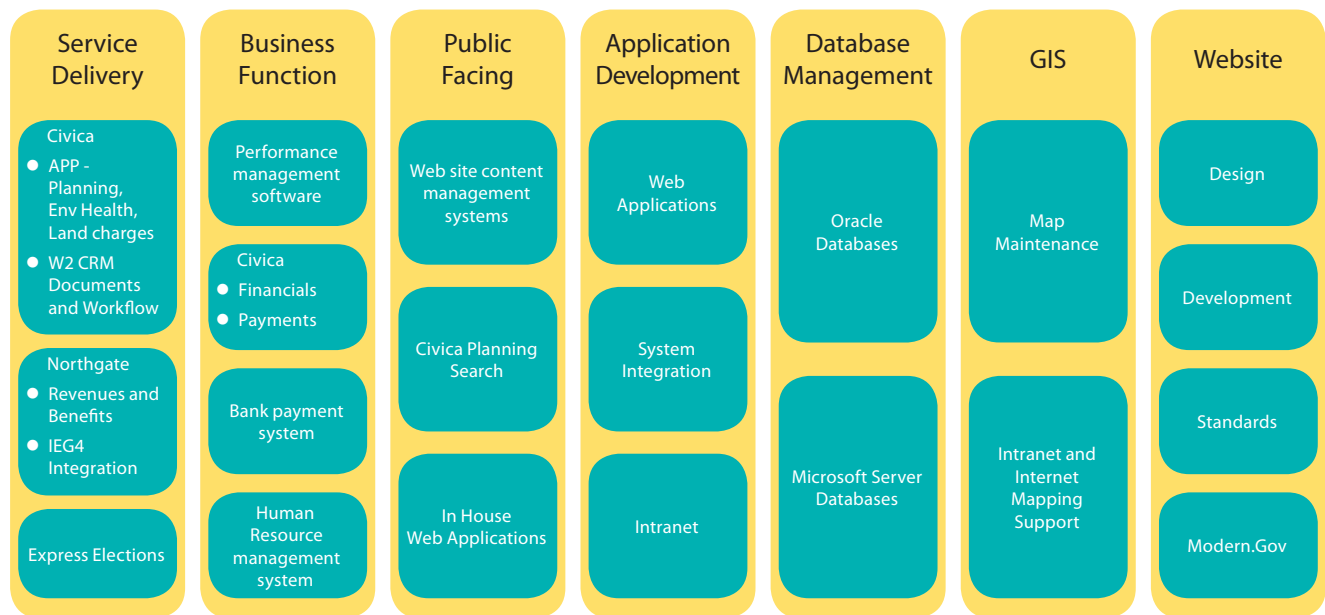
Achievements

- ◆ Migrated Planning system to Civica APP system.
- ◆ Migrated Planning Documents into Civica W2 system.
- ◆ Migrated Environmental Health system to Civica APP system.
- ◆ Migrated mapping data into a Civica GIS system.
- ◆ Implemented a Land Charges solution and migrated data and maps.
- ◆ Implemented, tested and rolled out Civica Mobile solutions, enabling access to Civica systems while out and about.
- ◆ Upgraded Civica financials to accommodate new GL coding structure.
- ◆ Upgraded Civica ICON payments system to comply with security requirements.
- ◆ Commissioned, tested and rolled out Modern.Gov to members enabling paperless operation.
- ◆ Implemented IEG4 web based Housing Benefit Claim Form and DD to reduce demand on the benefits team.
- ◆ Implemented Lync, followed by Skype for Business to enable computer based telephony, conferencing and collaboration.
- ◆ Tested upgraded and deployed Windows 10.
- ◆ Implemented new Internet based telephony routing.
- ◆ Installed new Server backup solution.
- ◆ Upgraded internet connectivity for improved internet and remote access.
- ◆ Procured and implemented a new telephony solution for both councils, reducing cost and providing greater flexibility.
- ◆ Implemented new service desk management software, Sunrise
- ◆ Evaluated and implemented Experian bacs payment processor to reduce cost compared to previous provided.
- ◆ Created New Intranet platform in Umbraco to improve internal communications at reduced cost.
- ◆ Implemented new on line Intranet policy library software, written in house to reduce cost
- ◆ Rolled out corporate and public Wi-Fi through Follaton House and Kilworthy Park enabling easy network and internet access throughout most of our buildings.
- ◆ Successfully Maintained PSN security compliance.
- ◆ Implemented and integrated the whitespace in cab technology with W2.
- ◆ Procured new web site

Responsibilities

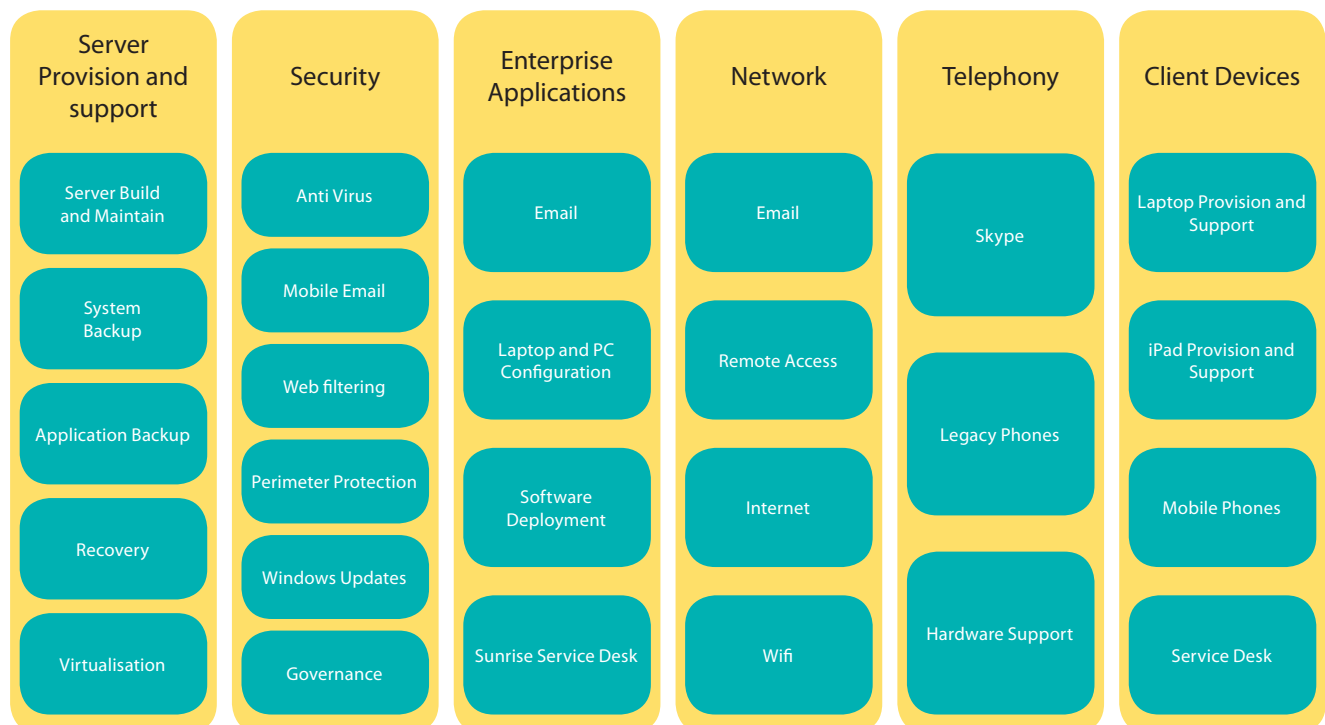
The IT CoP is responsible for these key systems and activities

Application Support Responsibilities



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Infrastructure Responsibilities



IT CoP Planned Project Activity

Q1

Complete legacy system to W2 document migration

Complete implementation of new backup systems

Test business continuity procedures

Implement cloud based web filtering

Complete preparation for Council Tax year end processing

Q2

Complete cloud hosting proof of concept

Complete commissioning of new server hosts

Q3

Improve web payments system

Begin Office 365 rollout

Complete decommissioning of remaining physical servers

Q4

Complete merge of network domains

Perform cloud hosting evaluations

Glossary

APP	Authority Public Protection, Civica's Planning and Environmental Health Solution.
CRM	Customer Relationship Management.
DELT	Delt Shared Services Ltd. is a publicly owned private limited company and currently provides IT services to Plymouth City Council (PCC) and NHS as its founding partners.
GIS	Geographical Information System.
SIP	Session Initiation Protocol, provides voice over Internet telephony.
SLA	Service Level Agreement.
STRATA	Strata Solutions is an IT company wholly owned by three councils: Exeter City, Teignbridge District and East Devon District.
SWWARP	South West regional Local Authority Warning, Advice and Reporting Point. Warning, Advice and Reporting Point (WARP), is a cost-effective, trusted environment where members of a community can enhance their information security by sharing cyber threat and vulnerability information.
W2	Civica's Document Management and Workflow solution. Now rebranded as Workflow 360.

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