

West Devon Hub Committee



West Devon
Borough
Council

Title:	Agenda
Date:	Tuesday, 28th March, 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 Edmonds Cllr Sampson Cllr Moody Cllr Samuel Cllr Oxborough Cllr Jory Cllr Parker</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 - 6

Minutes of meeting held 28 February 2017

5. Our Plan Annual Report (Cllr Sanders) 7 - 30

6. Commercial Property Investment (Cllr Baldwin) 31 - 46

7. Review of Hub Committee and Overview and Scrutiny Function (Cllr Sanders) 47 - 52

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

The Committee is therefore recommended to pass the following resolution:

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

8.	Community Housing (Cllr Parker and Cllr Jory)	53 - 70
9.	Request for Long Lease Renewal (Cllr Jory)	71 - 76

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Agenda Item 4

At a Meeting of the **HUB COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **28th** day of **FEBRUARY 2017** at **2.00pm**

Present:

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

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

In attendance:

Executive Director (Strategy and Commissioning)
Executive Director (Service Delivery and Commercial Development)
COP Lead Place Making
Finance Business Partner
Operational Manager Environment Services
Lead Specialist Waste Strategy
Senior Specialist Environmental Health
Group Manager Business Development
COP Lead Housing, Revenues and Benefits
Specialist Democratic Services

Paul Barnard – PCC
Richard Grant – PCC

Other Members in attendance:

Cllrs Ball, Cheadle, Cloke, Jory, Leech, Moyse, Mott, Pearce, Sellis and Yelland

***HC 52 DECLARATIONS OF INTEREST**

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

***HC 53 MINUTES**

The Minutes of the Hub Committee Meeting held on 24th January 2017 were confirmed and signed by the Chairman as a correct record.

HC 54 PLYMOUTH AND SOUTH WEST DEVON JOINT LOCAL PLAN

Members were presented with a report that set out how the Council would meet the requirement of the Government to maintain an up to date Local Plan, and, in accordance with the resolution of West Devon Borough Council, to prepare a Joint Local Plan with South Hams and Plymouth.

The Portfolio Holder for Strategic Planning introduced the report and took Members through the key sections. As the report was also being presented to the Special Council meeting later in the day, Members wished to hold their views for that debate. In concluding this item, the Leader wished to thank all those who had been involved in producing the Plan and stated that Members should be committed to its contents.

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

- (i) That the Plymouth and South West Devon Joint Local Plan (as set out in the presented appendix to the full Council agenda) be formally approved and that the Plan is subject to a six week period for representations to be received, pursuant to Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012;

It was further **RECOMMENDED** that:

- (ii) following the completion of the six week period for representations the local plan be formally submitted for Public Examination;
- (iii) authority be delegated to agree minor amendments to the Plymouth and South West Devon Joint Local Plan prior to its submission, to the Community of Practice Lead (Place Making) in consultation with the Joint Local Plan Member Steering Group;
- (iv) the Plymouth and South West Devon Joint Local Plan Steering Group continue to oversee the Joint Local Plan to ensure its effective monitoring and review, and that officers be instructed to draw up a revised Collaboration Agreement to this effect between South Hams District Council, Plymouth City Council and West Devon Borough Council with responsibility delegated to the Executive Director (Strategy and Commissioning) for signing the Collaboration Agreement, in consultation with the Portfolio Holder for Strategic Planning; and
- (v) the Joint Local Plan be corrected prior to publication as set out in the erratum dated 27 February 2017.

HC 55

HEART OF THE SOUTH WEST DEVOLUTION UPDATE

Members were presented with a report that provided an update following the July 2016 'in principle' Council approval to progress negotiations for a devolution deal and the establishment of a Combined Authority, both subject to further report and the approval of the 17 Councils.

The Leader presented the report and updated Members on the latest position.

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

1. the update about the HotSW Combined Authority/devolution deal (including noting that a Joint Committee, if established, will have responsibility for developing future 'deal' and combined authority proposals for recommendation to the constituent authorities) be noted;
2. the proposals for the HotSW Productivity Plan preparation and consultation proposals (including noting that the Joint Committee, if established, will have responsibility for approving and overseeing the implementation of the Productivity Plan) be approved;
3. And that Council be **RECOMMENDED** to agree:
 - a. 'In Principle' to the establishment of a HotSW Joint Committee with a Commencement Date of Friday 1 September 2017 in accordance with the summary proposals set out in the presented report; and
 - b. That the 'In Principle' decision at (a) above is subject to further recommendation and report to the constituent authorities after the County elections in May 2017 and confirmatory decisions to approve the establishment of the Joint Committee; a constitutional 'Arrangements' document; an 'Inter-Authority agreement' setting out the support arrangements; appoint representative to the Joint Committee and appoint an Administering Authority.

HC 56

PARKING PERMIT REVIEW

Members were presented with a report that requested consideration of a recommendation to make amendments to the West Devon parking permits, as considered and agreed by the West Devon Parking Strategy Group.

The Lead Member for Commercial Services introduced the report and responded to questions.

It was then **RESOLVED** to **RECOMMEND** to Council that:

1. The Season Tickets available in West Devon be renamed Parking Permits, and that the Off Street Parking Places Order be amended to reflect this, together with the following amendments:
2. That the cost of a Town Centre Parking Permit be reduced from £400 to £280 per annum, to reflect the reduced Pay & Display parking charges;
3. That the cost of a Peripheral Parking Permit be reduced from £195 to £150 per annum in order to encourage more use of this facility;
4. That the cost of a Rural Parking Permit be reduced from £155 to £150 per annum in order to simplify the offering to our customers;
5. That a new West Devon Permit be introduced, allowing parking in all long-stay car parks across the Borough, for a fee of £650 per annum;
6. Permits to become 'virtual', ie. Customers will no longer receive a paper permit; and
7. New permits to be limited to one vehicle registration number only.

HC 57 REVENUE BUDGET MONITORING 2016/2017

Members were presented with a report that enabled them to monitor income and expenditure variations against the approved budget for 2016/2017, and provided a forecast for the year end position.

The Lead Member for Support Services introduced the report and provided detail relating to the recommendation to Council.

It was then **RESOLVED** that:

- i. the forecast income and expenditure variations for the 2016/17 financial year and the projected underspend of £35,000 be noted; and
- ii. Council be **RECOMMENDED** to transfer the 2016-17 revenue saving of £115,000 on the Leisure budget into an Earmarked Reserve for Leisure as set out in section 3.2 of the presented report.

HC 58 CAPITAL BUDGET MONITORING 2016/2017

Members were presented with a report that advised them of the financial position as at 31 December 2016 for the purposes of budget monitoring. All capital projects were within the individual capital budgets approved by Members. Therefore capital schemes were within budget.

The Lead Member for Support Services introduced the report and reminded Members that from next year (2018), the closure of accounts would be brought forward to the end of May.

It was then **RESOLVED** that:

- i. the report be noted; and
- ii. Council be **RECOMMENDED** that the Indoor Sports and Recreation facilities capital budget of £296,728 be re-categorised towards the £1.5 million cost of the investment into the Leisure Centres as detailed in Appendix B.

HC 59 EMERGENCY RESPONSE PLAN

Members were presented with a report that asked the Committee to note the Plan and more importantly, the emergency arrangements proposed to support the plan and any response that may be required, and that a recommendation of approval of these arrangements be made to full Council.

The Leader introduced the report and stated that, whilst unlikely, emergencies did happen and it was important that the right procedures were in place at that time. It was explained that this was a Devon wide document, and in response to a question regarding the two authorities that were not in the partnership, one of which was a neighbouring authority, it was confirmed that this would not preclude working together if necessary.

It was then **RESOLVED** that:

1. The Emergency Response Plan produced by the Devon Emergency Planning Service (attached at Appendix 1) be considered; and
2. Council be **RECOMMENDED** that the proposed emergency response arrangements be approved.

HC 60 HOMELESSNESS STRATEGY 2017/2022

Members were presented with a report that set out how, following public consultation which closed on 13 February 2017, Members were now being asked to recommend to full Council, approval of the strategy which set out how the Council would tackle homelessness within the next 5 years.

The Lead Member for Health and Wellbeing introduced the report and in doing so thanked officers and also Cllrs Leech and Yelland who had worked as part of the Health and Wellbeing task and finish group on production of the strategy.

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

1. That the Homelessness Strategy 2017-2022 and the 2017 Action Plan be adopted; and
2. That the Joint Member Task and Finish Group be retained as a Homeless Strategy Monitoring Group.

***HC 61 LEAD MEMBER UPDATE**

This item was deferred to the next meeting.

***HC 62 WASTE AND CLEANSING VEHICLE PROCUREMENT UPDATE**

(Paragraph 3 – Information relating to the financial or business affairs of any particular person including the authority holding that information)

Members were presented with an exempt report that updated the Committee on progress made in the procurement process for the fleet of waste and cleansing vehicles to date.

It was then **RESOLVED**:

1. That progress made on the procurement of the waste and cleansing fleet be noted and that work continues on procuring a value for money, fit for purpose waste and cleansing fleet.
2. That any changes considered necessary to the terms as highlighted be delegated to the Lead Specialist Waste Strategy in consultation with the Lead Member for Commercial Services.

(The Meeting terminated at 3.25 pm)

Chairman

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Report to: **Hub Committee**
Date: **28 March 2017**
Title: **ANNUAL REPORT**
Portfolio Area: **Leader of the Council**
Wards Affected: **All Wards**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel
External**

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

Date next steps can be taken:
(e.g. referral on of recommendation or implementation of substantive decision) **Council**

Author: **Nadine Trout** Role: **Commissioning Manager
Secondment**

Contact: Nadine.Trout@swdevon.gov.uk 01822 813624

RECOMMENDATION

That subject to any comments made by the Overview and Scrutiny Committee on 21 March 2017, the Hub Committee RECOMMENDS to Council to:

- 1. Note the progress and achievements made by the Council**
- 2. Adopt and publish the West Devon Annual Report (as presented at Appendix A) for the financial year 16/17**

1. Executive summary

1.1 This report is presented by the Leader of the Council and reviews the Council's progress over the last financial year. The Annual Report is presented at Appendix A.

1.2 It is good practice to review the Council's progress across a range of internal and external activities as well as providing a public record.

1.3 Finally the report sets the scene for the upcoming year ahead.

2. Background

- 2.1 The last financial year has been one of significant change for this Council. It is appropriate to take stock of the key issues, successes and challenges met by the Council and how they have been addressed.
- 2.2 It is also important to look at the impact on residents, communities and our organisation.
- 2.3 It is usual to provide an annual report as an externally facing document, which along with its Annual Governance Statement should help reassure the public that the Council is undertaking its statutory functions, delivering its services and meeting its financial responsibilities in an open and transparent way.
- 2.4 This is a public report and is in line with our requirements to be open and accountable.
- 2.5 The report aims to help Members, the public and our staff to better understand the Council's activities and approach to delivering services to our community.

3. Outcomes/outputs

- 3.1 This report shows significant progress made throughout 16/17 and also acknowledges the challenges that have been faced over the past months.
- 3.2 Financial targets are on track, savings have been realised and the Council's internal controls are fit for purpose.
- 3.3 The report acknowledges that there has been significant changes to systems to drive efficiencies and service improvements.
- 3.4 2017/18 will see more focus on digital technology to provide customers with a variety of choices on how to access services and do business with the Council. As well as a review of waste provision and other key frontline services.

4. Options available and consideration of risk

- 4.1 Constitutionally, the Leader of Council is required to provide an annual report and it is good practice to do so.
- 4.2 An alternative to the report could be a verbal report from the Leader at Council but it is considered better to have a formal document accessible to the public and published online.

5. Proposed Way Forward

- 5.1 It is proposed that the contents of the report are noted.
- 5.2 Members' views on the presentation and content of the report would be helpful to inform future Annual Reports.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Hub Committee has a responsibility to provide Leadership to the overall activities of the Council. Constitutionally, the Leader of Council is required to provide an annual report and it is good practice to do so.
Financial	N	There are no financial implications as a result of this report. Actions for 17/18 are funded and budgeted for.
Risk	Y	A failure to review and publish Council achievements and future actions could lead to: Lack of coherent policy and delivery Reputational harm Ineffective use of resources Poor quality service These risks are mitigated by: Review of this Annual Report.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None – no policy or service change is proposed in this report.
Safeguarding		None – no policy or service change is proposed in this report.
Community Safety, Crime and Disorder		None – no policy or service change is proposed in this report.
Health, Safety and Wellbeing		None – no policy or service change is proposed in this report.
Other implications		However the publication of the Annual Report may help understanding of the Council’s position and the way it operates amongst partners and the public.

Supporting Information

Appendices:

A: The Annual Report

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West Devon Annual Report



1

Introduction

The 2016/17 financial year has undoubtedly been a challenging year with reduced central funding for local government. We have however, continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all front line services.

During the year we have been unrelenting in seeking and attempting to deliver efficiencies and improving services. We have done this by adopting innovative IT solutions which admittedly haven't been without their glitches but are now steadily improving performance. 60% of customer queries are resolved at the first point of contact. Significant improvements have also been made in planning and benefits processing times.

The Council has made substantial progress in designing services which are more in line with our customers' requirements and as far as possible are future proofed. Our staff are to be congratulated for the way in which they have managed the significant changes that the organisation has undergone and they, together with the Councillors, are proud of what we have achieved.

The year has also seen the Council make good progress with the Joint Local Plan, a strategic planning document which sets out development and growth up until 2034. Working together West Devon Borough, South Hams District and Plymouth City Councils have approved a Joint Local Plan which subject to further community consultation and examination is on track to be adopted later this year and will set home building and job targets for all three authorities.

Commitment
to Joint Local
Plan

£2.2m
annual saving

No
services to
communities
removed



A challenging
year



Reduced central
funding



Protect all front
line services



Improving
performance

Our business is our customer



The Council has continued to play an influential role in sub regional debate on a number of key topics including devolution and productivity and continues to work closely with the Heart of the South West Local Enterprise Partnership (LEP) to secure Growth Deals to facilitate economic growth, job creation and prosperity in the area.



Philip Sanders

Cllr Philip Sanders
Leader of the Council



Steve Jorden

Steve Jorden
Executive Director
(Strategy & Commissioning)
and Head of Paid Service



Sophie Hosking

Sophie Hosking
Executive Director,
Service Delivery and
Commercial Development



South Hams
District Council



West Devon
Borough
Council

Working together

2

Finance

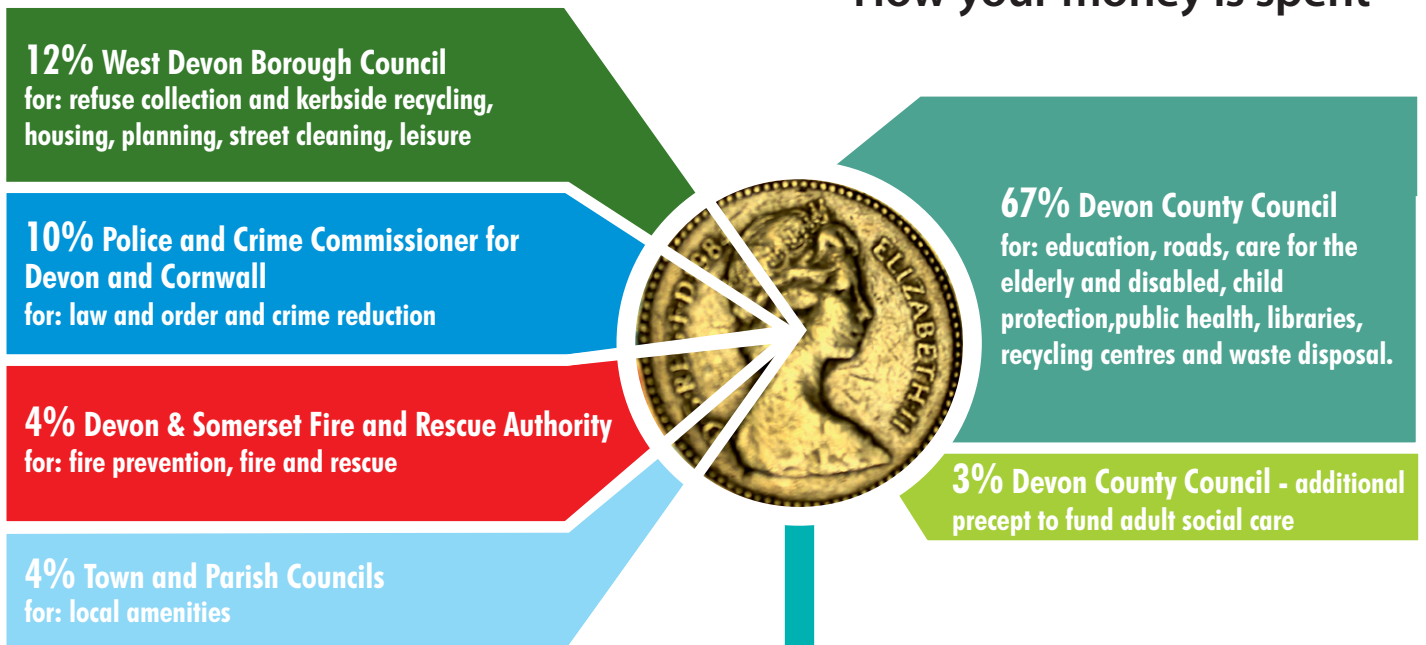
The Council's net budget is £7.4 million for 2017/18. By 2018/19 the Council will receive no core Government funding (Revenue Support Grant) and the Council will need to be self-sufficient.

The withdrawal of Government funding has happened two years earlier than expected. The Council is facing a budget gap over the next two years of £1 million, which the Council is planning to cover through a combination of generating income through business development, ensuring maximum use of its assets, and further reduction in costs.

The Council increased its element of Council Tax by £5 for 2017/18 to £218.39 for a Band D property. Of the money that West Devon collects in Council tax (an average Band D bill is £1,809) only 12% goes to services provided by West Devon, the rest goes to Devon County Council, the local Town or Parish Council, the Fire and Police services.

4

How your money is spent



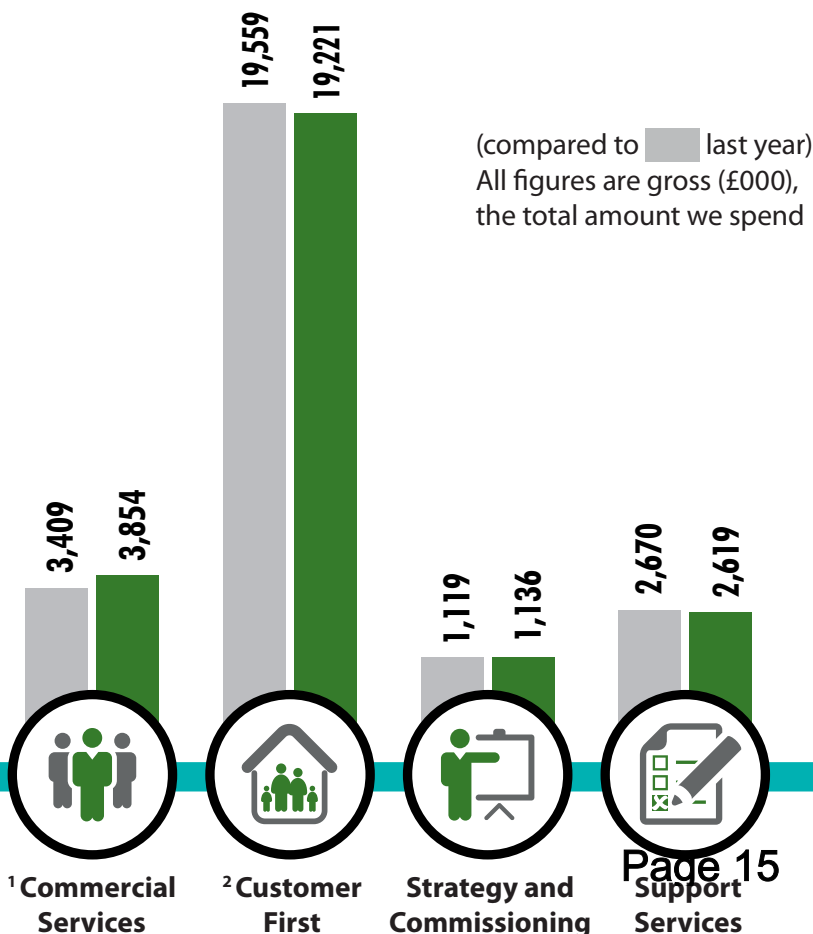


Financial performance for the year to 31st March 2017

The 2016/17 budget for West Devon was £7.3 million but the actual spend is predicted to be 0.4% lower, providing a saving of £35,000 which will go into the Council's Unearmarked Reserves which stand at £1.06 million. The Council's financial strategy recognises the need to maintain these reserves to provide stability for both medium and longer term financial planning and to provide a contingency against unforeseen events. Maintaining a level of reserves also protects against the volatility of some income and expenditure budgets which can be dependent on economic conditions, the weather and tourism.

The Council's gross expenditure was £26.8 million for 2016/17. Gross income for the year was £19.5 million, resulting in a net budget for 2016/17 of £7.3 million. The Council receives income from Government grants (such as rent allowances, revenue support grant and new homes bonus) and from business rates and fees and charges.

The Council's spending plans for 2016/17 and 2017/18



2017/18
£26.8m
Total gross budget

2016/17
£26.8m
Total gross budget

¹ Includes Recycling and Waste Resource, Public Conveniences, Car Parks and Transport

² Includes Housing, Planning, Environmental Health and the administration of Council Tax, Business Rates and Benefits

3

Organisational Effectiveness

Throughout the year we have continued to improve performance to meet the needs of our customers.

We have systematically reviewed areas of poor performance, streamlined processes, embedded new IT solutions and delivered staff training. As a result we have seen a significant reduction in call volumes, an increase in transactions online and quicker turnaround times for planning, benefits and disabled facility grants applications.

Our Workforce

West Devon Borough and South Hams District Council directly employ 292.5 full time equivalent staff to deliver shared services. West Devon Borough Council also has a contracted workforce which delivers a large number of frontline services. Staff throughout the Councils continue to perform well with sickness levels below the national average. HR policies allow a fair relationship between employer and employee and regular staff briefings and an online staff appraisal system ensures staff are up to speed with Council priorities; and able to evidence their achievements and identify any training needs. Both Councils are committed to providing opportunities to young people and currently have 5 apprentices.

6





Audit Assurance

The Council has a number of measures in place to assess its performance. An Audit Committee meets five times a year and its role is to provide an oversight of the financial reporting and audit processes plus the system of internal controls and compliance with laws and regulations. The Council also has two internal audit staff managed by the Devon Audit Partnership who provide an opinion on the internal control environment and governance processes.



External audit is provided by KPMG who in 2016 reported that they were satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources.

Risk Management

There is a culture of risk ownership and management throughout the Council throughout 16/17 particular focus has been given to health and safety and information security. Risks are logged centrally and are updated regularly. For

each risk, the uncertainties are identified, along with the consequences, likelihood of occurrence and strategic impacts that would result. The Council's Senior leadership Team review the corporate risk log monthly and updates are reported to Elected Members via the Audit Committee on a biannual basis. Elected Members also have the opportunity to raise concerns with the mitigating actions being taken by officers and can suggest new risks for consideration.

Governance

The Council has a Governance Framework which comprises of the systems, processes, culture and values under which they operate. This is in place to ensure transparent decision making and proper use of public funds and is reported on annually through the Annual Governance Statement. In addition to the controls and procedures mentioned above, the Council's primary governance documents are set out in the Constitution (for example, Contract Procedure Rules, Financial Procedure Rules and Codes of Governance). The Constitution is reviewed annually and adopted at the Annual Meeting for the forthcoming year. The Council has a Report Monitoring process in which all reports are checked against the principles of clarity, fairness, legality, and financial regularity and soundness. The Statutory Officers Panel carries out a rolling review of the Council's core policy documents to ensure that they are kept updated, relevant and effective.



Value for Money



Governance Framework



Constitution annual review



Report Monitoring

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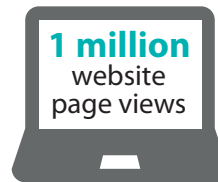
A few things we spent your money on 2016/17



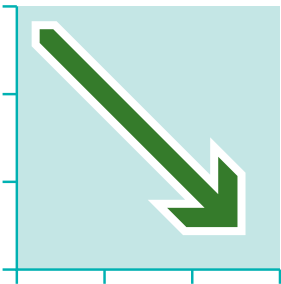
individual household waste collections per annum



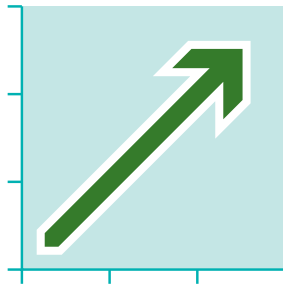
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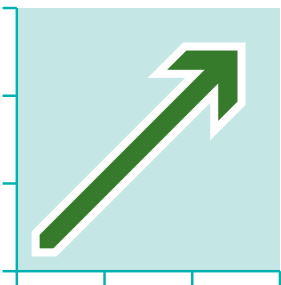
Performance



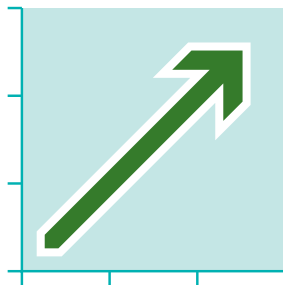
Housing benefit claims processing times reduced from 39 to 16 days



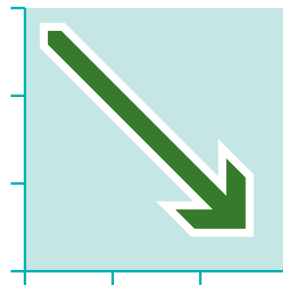
Online transactions increased by 17%



Missed waste collections performing 33% above target



Minor planning determinations delivered on time improved to 96%



Call volumes decreased by 33%



To track the Council's progress throughout the year visit

www.westdevon.gov.uk

Search for Councillors and Committees, Internal Overview and Scrutiny Committee.

For a list of council services visit

<https://www.gov.uk/browse/housing-local-services/local-councils>

5

Strategies & Plans

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.

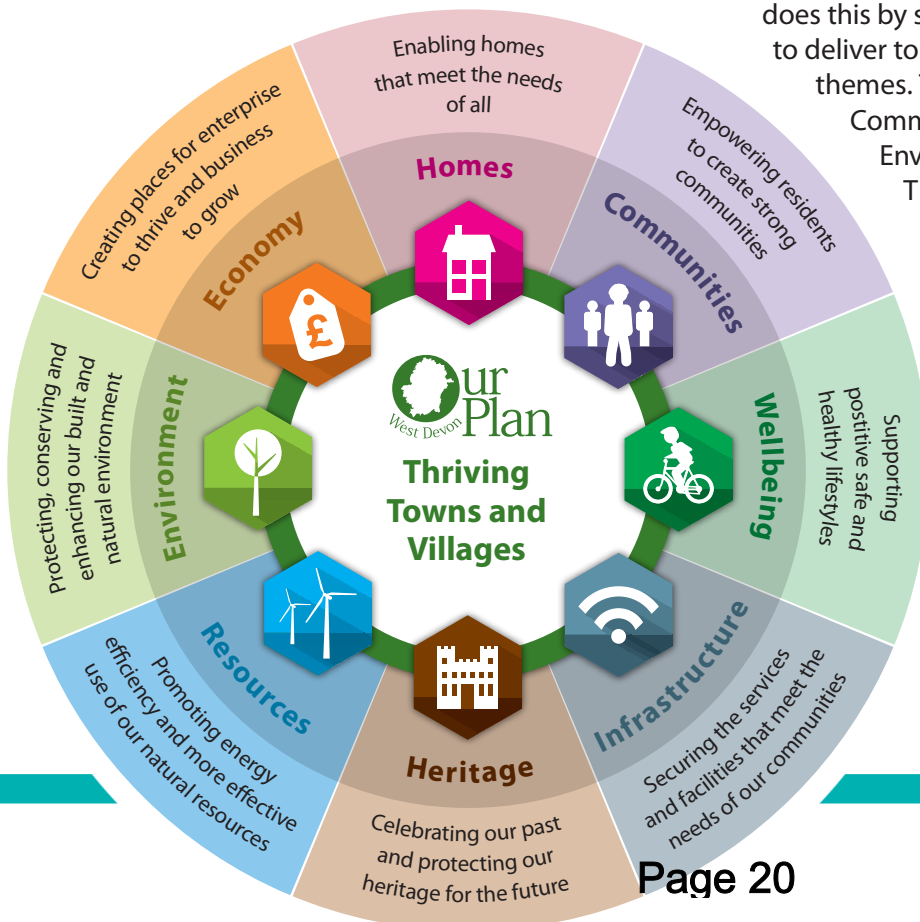


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Our Plan

The Council's 'Our Plan' describes the Council's vision and 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.

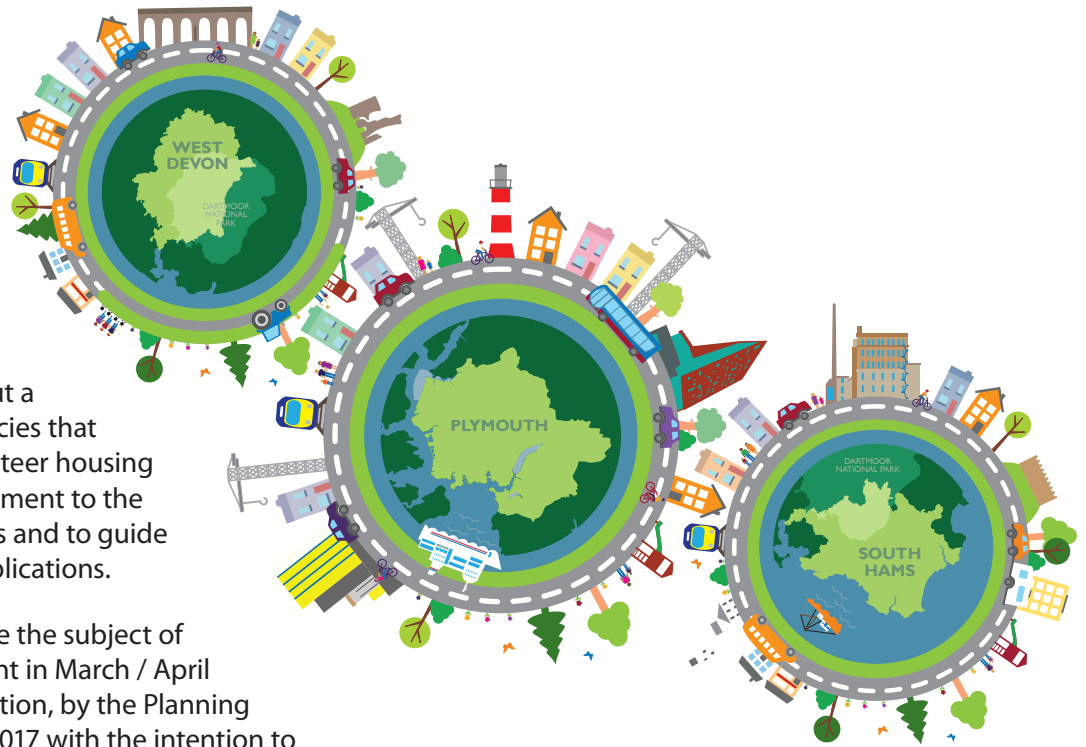
There is then a range of external policies and strategies which support the delivery of 'Our Plan' (e.g. Planning Policy Guidance, or Homelessness Strategy) helping the Council to deliver this vision. Underpinning these outward looking policies and strategies are internal policies and strategies to help us to deliver Our Plan (e.g. ITC policies, or agile working, or staff appraisals to help develop our workforce). The Council posts all of its strategies and policies, both internal and external, on its website.



Joint Local Plan

A key responsibility of the Council is to maintain an up to date development plan. The Joint Local Plan, prepared in conjunction with South Hams and Plymouth Councils sets out a strategy and detailed policies that establish a framework to steer housing and employment development to the most sustainable locations and to guide decisions on planning applications.

The Joint Local Plan will be the subject of a public engagement event in March / April 2017 ahead of an examination, by the Planning Inspectorate, in Autumn 2017 with the intention to adopt in the year 2017 / 2018.



Medium Term Financial Strategy

Looks at financial planning and management for a 5 year period. This helps us to develop a sustainable budget over the medium term. It incorporates key factors such as changes in Government funding, our spending plans, and the levels of savings we need to make to achieve a balanced budget.

The Asset Management Plan

Sets out the strategic direction for the Council both as a land owner and with respect to its asset portfolio. It is essential to have a long term plan, to facilitate day to day operational decisions. The key points of the plan are to:

- commence a limited programme of residential development
- grow the existing commercial portfolio of small starter units
- facilitate community use of assets if appropriate
- dispose of underperforming and nonstrategic assets for re-investment

6

Achievements during 2016/17

HOMES – Enabling homes that meet the needs of all



Action	16/17 Progress
Implement a housing delivery programme	Planning consent granted for 229 affordable homes. In excess of £150,000 secured through the planning process for the delivery of affordable homes. Delivered over 30 new homes in partnership with developers and housing associations.
Homeless Strategy	Widely consulted and adopted on a 5 year homeless strategy setting out the Council's commitment to tackle the causes of homelessness.
Disabled facility grants	Awarded over £164,000 to 43 projects to facilitate independent living through adaptation of homes including level shower access, stair lifts and rails.
Affordable housing	£250,000 Community Led Housing funding awarded to encourage future homes the area. We will continue to work with existing and emerging groups to utilise this grant.

ECONOMY – Creating places for enterprise to thrive and business to grow



Action	16/17 Progress
Clarify and deliver an economic development programme	Agreed a programme for 2016-18 including a funded support package for start-up and growing businesses. Continued sub regional partnership delivery. Business database development and provision of business news bulletins.
Greater Dartmoor Local Enterprise Action Fund	Supported this fund to create jobs in the rural economy, 13 projects approved to date worth over £226,000 investment.
Heart of the South West Growth Deal 3	Further funding granted for targeting the final 5% of premises not benefitting from superfast broadband.
Town Benchmarking	Research conducted in both Tavistock and Okehampton to establish the economic health of each town with a view to informing future policy.
Better Business For All Partnership	Achieved a Federation of Small Businesses Award for work to this partnership including provision of advice and support to over 300 businesses during routine food inspections.
Council owned premises	Achieved over 90% occupancy rate for all Council owned commercial premises.

INFRASTRUCTURE – Securing the services and facilities that meet the needs of our communities



Action	16/17 Progress
Renew strategic infrastructure delivery plan	Plan prepared in consultation with strategic partners and infrastructure providers which seeks to ensure the timely delivery of: transport, highway infrastructure, education, community facilities and open space / formal play areas.
Waste Review	Future waste options considered to ensure service provision is in place for April 2017 when the current contractual arrangements expire. West Devon continues to be a leading recycling authority.
Grounds maintenance review	Secured a 2 year contract extension to ensure that grounds maintenance continues to a high standard with a minimal increase in costs.

COMMUNITIES – Empowering residents to create strong communities



Action	16/17 Progress
Produce Joint Local Plan	Conducted over 22 community engagement events to canvas local views on the proposed Joint Local Plan due to be adopted in late 2017.
Neighbourhood Parish Plan	1 new plan underway and continued support provided to 10 communities already developing plans.
Community Project Grants	Over £30,000 awarded to 10 projects for new play parks, parish noticeboards, community centre refurbishments and community safety projects.
Town and Parish (TAP) Funding	Over £51,000 awarded to 39 projects including air ambulance night landing sites, community transport and defibrillators.
Development Management Towns and Parish Meetings	Attendance at 10 parishes/town meetings to foster a better understanding of the planning process.
Developer Forum	Reinstated and held every 3 months, engaged with 30 agents/ developers to update on changes in planning process / legislation and problem solving.
BT Payphone Removal Consultation	Coordinated a consultation to ensure affected communities were well briefed to influence the future of payphones in their communities.
Implement a coordinated community support offer	Review of Partnership working arrangements including Community Safety Partnership, Citizens Advice and Community & Voluntary Service (CVS) to meet community needs.

WELLBEING – Supporting positive safe and healthy lifestyles



Action	16/17 Progress
Implement public health working group	Group established and focussed on coordinating health and wellbeing projects including Social Prescribing. 3 local GP surgeries engaged to date accessing over £46,000 funding.
Junior Life Skills	Worked with 7 partners including the Police, RNLI, Fire Service, BT and Western Power to present workshops to over 400 year 6 students on safety, wellbeing and responsible citizenship.
Complete and implement health and wellbeing procurement	Secured a 25 year contract with Fusion Lifestyle to run Council owned leisure facilities and provide capital improvements of £1.5 million including new health and fitness facilities at Meadowlands.
Community Sports Grants	Over £3,000 awarded to assist coaching and equipment for 7 projects including squash, triathlon, gymnastics and trampoline clubs.

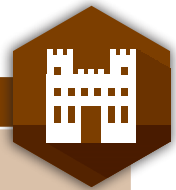
14

ENVIRONMENT – Protecting, conserving and enhancing our built environment



Action	16/17 Progress
Support delivery of the agreed improvement programme for Tamar Valley AONB	Charity established to generate additional income including a Visitor Giving Scheme. Investigation underway in to the viability of a Conservation Board. Ongoing collaboration with partners to achieve efficiencies and attract external grant funding.
Dog fouling	Held roadshows in partnership with the Dogs Trust to raise the importance of responsible dog ownership.
Measures to support design quality	Policy established to encourage high quality design following guidelines requiring layout, materials and greenspace that integrate with the neighbourhood as well as pedestrian, cycling and public transport connectivity to existing facilities and design that promotes safety.

HERITAGE – Celebrating our past and protecting our heritage for the future



Action	16/17 Progress
Support World Heritage Site designation	The celebration of the 'tinth' (sic) anniversary of the WHS inscription was a notable success with The Man Engine launch bringing international media publicity to Tavistock. Marketing investment at the Tamar Trails has reaped dividends with an increase in footfall within the World Heritage site.
Tavistock Townscape Heritage Initiative	Contributed to this partnership initiative which to date has secured £130,000 Heritage Lottery Funding and seen the completion of Butchers Hall. Further building refurbishments and public realm enhancement planned for 2017.

RESOURCES – Promoting energy efficiency and more effective use of our natural resources



Action	16/17 Progress
Support community led energy conservation and generation	Support for Cosy Devon scheme – Local Energy Action Project signposting residents to free energy efficiency advice.
Solar Panels	Over 3014 kwh energy produced at Council offices

7

Next Steps

The Council will continue to strive to deliver efficient services that meet the needs of its customers.

We will do this by improving our use of digital technology to offer more online transactions and make it quicker and easier to find information, request and pay for a service and improve the customer experience.

Our new awareness campaign for our digital services offer 'Do it online – Save time' will run throughout the year. We will focus on getting things right first time, telling customers what level of service they can expect and then aiming to meet and where possible exceed those expectations. We will develop the use of digital social media to complement existing customer communication to widen our engagement with customers getting information quickly and when it is needed.

The reduction of call volumes achieved this year will free up staff to become more proactive in engaging with customers who do not have access to our digital services and will allow us to develop services to meet their needs.

Save time
Do it Online

West Devon Borough Council

Apply for Benefit

Pay Council Tax

Report Fly Tipping

Apply, order, pay, report and stay informed.
Do it all from your phone, tablet or computer.

www.westdevon.gov.uk





Review of key services

In addition to focusing on delivery of services, we will focus on enforcement services, such as planning, environmental health, licensing and develop a more robust and equitable debt recovery process. As central government housing policy continues to develop, we will ensure that all elements of the Council that are involved with housing, from homelessness, housing benefit, to the private sector landlords, affordable homes to improving our planning service to speed up house building are brought together in a cohesive delivery plan.

We will be working with key stakeholders and current contractors to ensure that front line services continue to perform at a high level and can be developed in the future. Recycling, waste collection, street cleansing and grounds maintenance services will all be market tested for quality, environmental suitability, cost and performance in the next 2 years. In the meantime we work closely with partners to improve on current services and get best value for money for residents.

There will continue to be a focus on environmental enforcement and our community offer to ensure that environmental offenders are prosecuted where possible and communities are supported by their Council in a variety of ways.

Partnership working

We will continue to develop our existing partnerships and create new ones to improve our support to individuals and communities, ensuring that we offer joined up services and customers have a clear understanding of where they can get guidance and support. Through the continued development of our Locality team we aim to make real difference on the ground, this could be through the design of local parking tariffs to encourage economic development or through enabling access to grants to support local initiatives.

Our financial future

With the withdrawal of Government funding we will need to generate additional income to be able to carry on delivering our current range of services. Over the course of the year we will be considering and implementing proposals to meet this financial challenge; these are likely to include developing investment opportunities and income generating services as well as finding further efficiencies and smarter ways of doing things.



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2017/18 Actions

WELLBEING

Supporting positive safe and healthy lifestyles

Explore the co-location of public services to ensure a holistic, co-ordinated approach to meet the wellbeing needs of the communities



HOMES

Enabling homes that meet the needs of all

Disabled facility grants for home adaptations

Housing projects to target empty homes, houses of multiple occupation and fuel poverty

- £1/4 million to deliver housing to meet the needs of local people
- Tenants incentive scheme to assist homeowners to downsize
- Funding to deliver 26 affordable homes

HERITAGE

Celebrating our past and protecting our heritage for the future

Continued commitment to Cornwall and West Devon Mining Landscape World Heritage Site



ENVIRONMENT

Protecting, conserving and enhancing our built environment

Funding to the Tavistock Town Heritage Initiative



COMMUNITIES

Empowering residents to create strong communities

Village Hall Capital Grants over £36,000 available per annum for improvements and refurbishments



INFRASTRUCTURE

Securing the services and facilities that meet the needs of our communities

- Implement a revised emergency response and business continuity plan to support communities during emergencies
- Introduce paperless parking permits allowing for swifter service
- Waste and recycling efficiencies including in-cab technology for more efficient roadside collection

ECONOMY

Creating places for enterprise to thrive and business to grow

- Teenage Markets to encourage young entrepreneurs
- Business support funding
- Shaping a sub-regional productivity plan
- Job creation through the Greater Dartmoor LEAF programme



RESOURCES

Promoting energy efficiency and more effective use of our natural resources

Support community led energy conservation and generation projects and provide supportive planning policy



West Devon
Borough
Council



Investment in Commercial Property

Report to:	West Devon Hub Committee
Date:	28th March 2017
Title:	Investment in Commercial Property
Portfolio Area:	Cllr Bob Baldwin, Deputy Leader Business Development
Wards Affected:	All
Relevant Scrutiny Committee:	Overview & Scrutiny Internal
Approval and clearance obtained:	Yes
Urgent Decision:	No
Date next steps can be taken:	Immediately following expiry of Scrutiny call in period
Author:	Darren Arulvasagam, Group Manager, Business Development Darren.Arulvasagam@swdevon.gov.uk

Recommendations: That the Hub Committee:

1. **NOTE** the proposed commercial property investment strategy and proposed direction of travel as detailed in Appendix A
2. **APPROVE** the allocation of up to £20k from the Invest to Earn Earmarked Reserve which has an uncommitted balance of £404,862, to gain specialist advice in order to develop a full business case for the commercial property investment proposals set out in this report, which will be brought back to Council for a final decision
3. **AGREE** that officers commence an appropriate procurement process to commission a property agent to work on behalf of the Council in relation to the proposed commercial property investment strategy

1.0 **Executive Summary**

- 1.1 On December 5th 2016, Members attended a finance and investment principles workshop which covered the income generation, investment strategy, and efficiency improvement opportunities officers were considering.
- 1.2 Based on Member feedback from those sessions, and with input from the recently formed 'Invest to Earn' working group, this report recommends the Hub Committee note the proposed property investment strategy.
- 1.3 Other opportunities to close the budget gap are being pursued concurrently, and there is no one single solution. If pursued, this recommendation presents the Council with significant achievable revenue streams in-year, whereas other opportunities will take longer to realise and are not solely capable of achieving the required quantum.

Investment in Commercial Property

- 1.4 The objective of this proposed strategy is to generate revenue streams to contribute to the financial sustainability of Council, enabling it to continue to deliver frontline services in line with the Council's adopted strategy & objectives.
- 1.5 Revenue generation would be achieved by the focussed acquisition of existing commercial property assets using fixed rate prudential borrowing or any other unallocated or available Council reserve or capital receipt.
- 1.6 If ultimately approved in this form, the strategy could see the Council building a commercial property investment portfolio with a maximum budget of £75m plus an additional 7% of that sum in acquisition costs. At any point from adopting the policy, the Council could opt to cease acquisitions if the market or interest rates were to change beyond acceptable tolerances as determined by officers or the 'Invest to Earn' working group. Any property acquired would conform to the proposed strategy detailed in Appendix A.

2 Background

- 2.0 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.
- 2.1 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 forecasted budget gap from 2017/18 onwards as reported to Council on 7th February 2017:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Budget gap/surplus	140,002	834,458	Nil	Nil	128,874
ACTUAL PREDICTED CUMULATIVE BUDGET GAP OVER THE FIVE YEARS TO 21/22					£845,586

- 2.2 The above means that over the period to 2021/22 the above amounts need to be found by way of savings or additional income generation, based on the current financial modelling.
- 2.3 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 possible for the Council to invest in UK Government Gilts, bonds, property funds, or commercial and residential property.
- 2.4 These instruments require the Council to tie up its funds for a significantly longer period than currently determined by its adopted Treasury Management Strategy (reducing liquidity), or would carry a risk of capital loss if markets were to go down.

Investment in Commercial Property

- 2.5 Therefore, the Council's policy has hitherto been not to invest in these more risky and less liquid forms of investment. However, a variety of factors suggest that now may be an appropriate time to reconsider that approach, including:
- The perception of increased risk in bank deposits as a result of a reduction in confidence that the Government would again bail out a failing bank
 - The outlook for short term bank deposit yields being below inflation
 - A growing UK economy that could support other forms of investment
 - A challenging WDBC budget that would benefit from additional investment income
- 2.6 Officers have therefore considered a variety of different forms of investment. 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 approximately 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%.
- 2.7 To achieve financial sustainability, based on the current MTFs, the Council needs to generate or save c.£1m pa. The table below depicts the options and the applicable investment required if one option was chosen solely to close the forecast budget gap:

To Achieve £1m per annum... (Indicative Returns)	Gilt 1%	Low Risk Equity 3%	Property Fund (e.g. CCLA) 5%	Property Investment 5.85%^
Capital Required (£)	100,000,000	33,333,333	20,000,000	80,250,000
Funding Available?	No	No	No	No
Borrowing Allowed?	No	No	No	Yes

^5.85% is gross yield. Finance & management costs and a sinking fund need to be deducted to generate a net yield. This is detailed in Appendix A.

- 2.8 Market analysis by local property agent Vickery Holman in 2016 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%

- 2.9 Investment in residential property is not recommended due to the risk of 'Right to Buy' affecting investment returns. The Council is actively looking at other forms of residential development and investment and these are the subject of other reports for consideration by Council.

Investment in Commercial Property

2.10 The Council does not have significant funding available to enable investment in gilts, equities nor property funds at this time to achieve financial sustainability. Officers have concluded that investment in commercial property could be the way forward initially, as part of a balanced investment portfolio. Therefore, the remainder of this report will focus on property investment as it is understood that Public Works Loan Board (PWLB) borrowing is available to the Council to acquire capital assets.

3.0 Investment in Commercial Property

3.1 Members recently approved the formation of a Member 'Invest to Earn' working group. This group have worked with officers to formulate the Commercial Property Investment Strategy and Business Plan shown at Appendix A. The Terms of Reference for the group are shown in Appendix C.

3.2 Subject to the approval of a full business case and obtaining specialist legal and treasury management advice, if the proposed strategy as shown in Appendix A is adopted, it is proposed that the Council commits a maximum budget of £80.25m to invest £75m in commercial property acquisitions, plus a further 7% of that sum (£5.25m) to cover related acquisition costs towards this strategy, in order to build a commercial property portfolio within 12 months.

3.3 The portfolio objective is to generate recurrent revenue streams to contribute to the financial sustainability of Council, enabling it to continue to deliver frontline services in line with the Council's adopted strategy & objectives.

3.4 Purchases will be made using predominantly prudential borrowing or any other unallocated or available Council reserve or capital receipt. Borrowing will be taken on a repayment basis, over a maximum 50 year term.

3.5 The portfolio will target a gross investment yield of 5.85%. It is forecast that a breakeven position could be achieved with a yield of 4.4%. The strategy will be reviewed on an annual basis.

3.6 Following the Finance & Investment principles workshop, held on December 5th 2016, a Member survey was undertaken to understand Member appetite for acquiring a commercial property portfolio. 20 elected Members participated in the survey. Of those:

3.6.1 95% said the Council should acquire a commercial property portfolio to sustain the Council's revenue position

3.6.2 79% said investment should be made into a mixed estate (no sector preferred) but with the decision based on availability and acceptable risk

3.6.3 80% said it was acceptable or desirable to acquire properties outside of the district

Investment in Commercial Property

- 3.6.4 90% said it was acceptable for the Council to take on borrowing to acquire such an estate
- 3.7 Initially, it is proposed that the Council appoint a property agent to work on its behalf to source investment opportunities. It is recommended that funding is allocated from the Invest to Earn Earmarked Reserve to acquire specialist advice in relation to the preparation of a full business case which will be brought to Council for decision.
- 4.0 **Options available and consideration of risk**
- 4.1. Members could opt to follow, amend or reject the recommendations.
- 4.2. The overall investment quantum and strategy is designed to provide sufficient income to cover the predicted budget gap in its entirety. This approach will be assessed as part of the treasury management advice procured e.g. affordability requirements. If the total investment amount is reduced, the income generated would not be sufficient to create financial sustainability.
- 4.3. If Members chose to vary the portfolio investment yield target, overall budget, or funding source, these would result in different financial outcomes.
- 4.4. There are risks that should not be discounted. The single biggest risk to the portfolio going forward would be tenant voids reducing the yield. This needs to be balanced against the proposal that the Council takes in a significant sum in borrowing to finance the acquisition of a commercial property portfolio.
- 4.5. The capital value of any 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.
- 4.6. This investment strategy is based on revenue income and capital value increases have not been factored into the financial calculations.
- 4.7. A reduction in capital value would only affect the Council's cash flow position if it chose to dispose of the investment whilst the value was less than at acquisition.
- 4.8. However, using PWLB to fund a purchase means lending is not secured against the property and so the Council could opt to lose money on one property if the overall capital value of the portfolio is greater than the loss of capital value. PWLB borrowing is to be taken on a repayment basis, meaning equity should be generated in any property acquired assuming steady or rising capital values.
- 4.9. The strategy and business plan allow for the costs needed to acquire and manage the portfolio, e.g. acquisition, disposal, maintenance and management.

Investment in Commercial Property

- 4.10. The strategy looks to mitigate risks by setting specific criteria for purchases and necessary due diligence must be completed before officers and the 'Invest to Earn' group recommend any purchase. Refer to Appendix A and B for details of the strategy, criteria, and the business case that would need to be completed before a purchase is recommended to the delegated authorities to consider.
- 4.11. The target yield, less costs, will comfortably outperform the current investment returns achieved by the Council – 0.5% is forecast in the MTFS as an average for 2017/18 rising to 1.0% by 2021/22.
- 4.12. A breakeven position, where the loan repayment, maintenance and acquired property management (including all landlord and tenant interaction) are covered by the rental income earned by the portfolio is achieved with a portfolio gross yield of 4.4%. Individual purchase decisions and portfolio management would be taken with this in mind. It is felt there is significant distance between the target yield and the breakeven point.
- 4.13. For the past few years, the Council has 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.
- 4.14. 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. This strategy would need to be updated if this direction of travel is pursued. A revised Treasury Management Strategy would be presented to Council with the business case for the commercial property investment.

5.0 Proposed Way Forward

- 5.1 It is proposed that if the Hub Committee approve this report's recommendations, further due diligence will be completed by way of securing counsel from the Council's treasury management advisors and external legal advisers, to inform the strategy and the Council's legal powers to build a portfolio as described in Appendix A.
- 5.2 A property agent will be commissioned to work on behalf of the Council in relation to this proposed strategy. It is proposed the Council seeks "off-market" property purchases which can avoid becoming involved in a bidding war for properties.
- 5.3 The funding required to obtain the specialist advice and services will be financed from the Innovation Fund (Invest to Earn) Earmarked Reserve.

Investment in Commercial Property

6.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	Advice on the relevant powers and appropriate vehicles for delivering these proposals will be sought from external specialist advisers. Member approval is sought to authorise the allocation of resources for this purpose. This advice is to be funded from the Invest to Earn Earmarked Reserve which has an uncommitted balance of £404,862.
Financial	Y	<p>Advice is being sought from Capita, the Council's retained Treasury Management advisors, regarding the ability of the Council to meet the financial obligations inherent with borrowing up to £75m (plus acquisition costs) to fund the proposed commercial property investment strategy. This advice is to be funded from the Invest to Earn Earmarked Reserve which has an uncommitted balance of £404,862.</p> <p>Part of the business case for commercial property investment will be an assessment of the Internal Rate of Return (IRR) calculation.</p> <p>If successful, the proposed commercial property investment strategy has the potential to make a significant contribution to the current predicted cumulative budget gap for the Council.</p>
Risk	Y	<p>Any PWLB borrowing to fund the acquisition of commercial property is not secured on the property acquired. The security risk is that the capital value of the property acquired falls. Whilst this would have an effect on the Council's balance sheet, the value of the property only becomes an issue if the Council chooses to sell the property and realises a capital loss. The liquidity risk is the risk of failure of a tenant within one of the acquired properties.</p> <p>The borrowing rate will be fixed for the term of the loan. As lending will be taken on a repayment basis, at the end of the term, the loan will be repaid in full and property will be a 100% owned asset of the Council (in actuality as the loan is not secured against the property, the asset will be 100% owned from day one).</p> <p>The yield risk is that the income derived from the acquired assets will alter during the life of the asset. This will be actively managed; with agents commissioned to manage the asset and tenants. Properties will only be acquired if they have a minimum of 5 years unexpired lease term and are located in areas deemed to be attractive for future lettings / sales, limiting the risk to the Council's portfolio.</p> <p>The Council already owns and operates a commercial property estate valued at c.£25m. It therefore has experience of managing such an estate and can act as an intelligent client, with the aid of commissioned property specialists. The cost of these specialists has been included in the net yield. Within the existing Council staffing establishment, many employees have significant property expertise in acquiring, disposing and managing significant commercial property investment portfolios, for public, private and global organisations. These specialists hold either property related degrees or RICS (Royal Institute of Chartered Surveyors) accreditation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines. A revised Treasury Management Strategy will be presented to Council with the business case for the commercial property investment.</p> <p>Investment interest income is reported quarterly to SLT and Hub.</p>

Investment in Commercial Property

Comprehensive Impact Assessment Implications		
Equality and Diversity	N	Not Applicable
Safeguarding	N	Not Applicable
Community Safety, Crime and Disorder	N	Not Applicable
Health, Safety and Wellbeing	N	Not Applicable
Other implications	N	Not Applicable

Supporting Information

Appendices:

Appendix A - Commercial Property Investment Strategy & Business Plan

Appendix B – Business Case for Property Investment

Appendix C – Terms of Reference for the 'Invest to Earn' Working Group

Background Papers:

- MTFs, presented to Hub Committee September 20th 2016
- Revenue & Capital Budget Proposals Report – 2017/18, presented to Council, February 7th 2017
- 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
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

Appendix A – WDBC Commercial Property Investment Strategy & Business Plan

Overall Objective:

Increase revenue streams to contribute to the financial sustainability of Council, enabling it to continue to deliver frontline services in line with adopted strategy & objectives.

This will be achieved by the focussed acquisition of existing commercial property assets using predominantly prudential borrowing or any other unallocated or available Council reserve or capital receipt.

Strategy

- Invest in commercial properties to provide rental income with a minimum gross yield of 5.85% across the portfolio (once complete)
- Achieve a spread of risk across a greater number of assets and by acquiring properties across the range of different property asset classes, namely retail, leisure, office and industrial
- Properties will be acquired to hold rather than to dispose
- The Council will operate independently - The Council is not reliant on another Council to progress with this strategy
- The Council will invest sufficiently so that the portfolio's net revenue receipt delivers sufficient income to fund the initiative and make a significant contribution to the Council's forecast budget gap (with the potential to meet the budget gap)
- Acquisition costs are forecast not to exceed 7% (Stamp Duty Land Tax (SDLT) / Legal / Agents / Due Diligence)
- Management of the acquired assets will be outsourced to property professionals. The costs for this management are to be included within the target yield
- The legal work required to complete transactions is to be outsourced
- A retained agent will be commissioned to act on behalf of the Council to source suitable properties and manage the acquisition due diligence process

Risk

- The risks of investing in property may be mitigated through the acquisition of assets with secure, long income streams
- This needs to be balanced against the requirement for a given level of income yield on capital invested in a careful and controlled manner, with specific analysis of risk criteria carried out in the 'due diligence' stage prior to the completion of each purchase
- Should the portfolio yield drop below 5.85%, a review of the strategy will be triggered
- The portfolio of investments being acquired should be diversified in order to spread risks via a balanced portfolio, such diversification principally being across geographical location and the use type of properties held
- The portfolio will be relatively risk-averse, limiting fresh investment to properties with minimum unexpired lease terms of five years at the date of acquisition, and tenants of strong financial standing

Initially, investment decisions will be taken as long as they fit within the below criteria:

Location:

- Neutral – wherever opportunities arise in order to quickly acquire good investment properties which deliver the minimum prescribed yield and are deemed an acceptable risk
- In order to not over expose the Council to one particular geography, properties outside of the Council's area will be favoured initially
- As the portfolio gets larger, a mix of locations will be sought to create a balanced portfolio

- A maximum exposure of 25% to one location will be sought once the full investment budget is exhausted
- Good, commercially strong locations to protect capital value and ensure ongoing occupier demand. E.g. for retail good out-of-town retail clusters/parks; for offices close to transport infrastructure and catchment for employees; for industrial close to major road / rail hubs

Sector:

- Neutral – Again, wherever opportunities arise in order to quickly acquire good investment properties which deliver the minimum prescribed yield and are deemed an acceptable risk.
- As the portfolio gets larger, a mix of sectors will be sought to create a balanced portfolio.
- A maximum exposure of 25% to one sector will be sought once the full investment budget is exhausted.

Tenant mix:

- As the portfolio gets larger, a mix of tenants will be sought to create a balanced portfolio
- A maximum exposure of 15% to one tenant will be sought once the full investment budget is exhausted
- Final decision over the appropriateness of any tenants would be reviewed at the time of acquisition.

Lease length:

- Minimum 5 years unexpired (mean unexpired term for multi-let properties)
- Unless in exceptional circumstances (e.g. the property is being purchased with a view to re-development), single-let properties will be avoided unless the unexpired lease term is 10 years or more
- For multi-let properties, a mix of lease expiry dates are preferred, thereby limiting void risk (unless the property is purchased with a view to re-development)
- Well-let to sound tenants on leases with a preference for 'Full Repairing and Insuring' leases for single occupiers and through internal repair obligations and a service charge for multi-let properties
- The final decision over the definition of "well-let" and "sound" will be agreed between the property acquisition advisers (including legal due diligence) and the individuals delegated with the responsibility to conclude the acquisition of the properties
- This decision will be based on both the risk to the capital investment and revenue returns

Investment Yield:

- Per investment lot, a minimum gross yield of 4.5% will be sought, before management, maintenance and funding costs
- A maximum gross yield in excess of 11% will not normally be sought.
- As the portfolio gets larger, a mix of yields will be sought to create a balanced portfolio
- The overall portfolio will have a target balanced portfolio yield of 5.85%

Cost:

- Individual lot sizes of up to £15m
- Larger lot sizes will be favoured - smaller size properties have disproportionately higher management costs and expose the Council to greater property void risks
- All investments will normally be subject to a minimum lot size of £3m

For all of the above, flexibility of +/- 15% (relative to the measure) is allowable in order to conclude a deal without recourse to reviewing the terms of this strategy. The overall budget for acquisitions is not subject to this flexibility.

Funding:

- This is to be secured on a case by case basis on the most favourable terms available predominantly through prudential borrowing or any other unallocated or available Council reserve or capital receipt
- The term will not exceed the expected remaining life of the property, but as a rule, the Council wishes to secure borrowing over a maximum 50 year term
- The Council will opt to repay on a repayment basis (akin to a mortgage), whereby the entire acquisition cost will be repaid by the end of the term and the Council will own the acquired asset outright
- The Council will therefore be in a position to recoup the asset value at the end of the loan term in addition to the income it has derived during its ownership

Exit Strategy:

- The Council is investing to hold. It is not looking to actively trade commercial property
- If capital values determine that the most prudent action is to sell an individual asset, this will be considered on a case by case basis and will be acted upon in consultation with the 'Invest to Earn' group Chair, Leader, S151 officer and Head of Paid Service
- It is proposed that all properties will be held as Council Assets. This may change if the Council were to set-up an arms-length management organisation (ALMO) or trading company and it was found to be commercially advantageous for such a vehicle to hold the asset. Any property transfer between the Council and such a vehicle would likely incur a 5% SDLT charge
- It is important to note that there would be early repayment charges if the loan used to acquire the commercial property were to be repaid before the end of the loan term. However, Public Works Loan Board (PWLB) lending is not secured against property, so this would not inhibit the asset being traded during the loan period. An alternative asset would need to be purchased (& held) with any sale proceeds

Tax Implications:

- Due to the Council holding the asset, it is not anticipated that there will be any corporation tax or income tax implications from this strategy
- Some properties may be VAT elected, meaning VAT must be charged to tenants. This will be dealt with on a case by case basis and will be covered by the due diligence connected with that acquisition. The Council is able to charge and recover VAT
- Capital Gains Tax would not apply to assets sold from Council ownership. This position may change if a company were to be used to hold the acquired asset

Governance Arrangements:

Purchase

Delegated authority to Head of Paid Service, working in conjunction with S151 officer and Leader and Chair of the 'Invest to Earn' group. Each receive one vote to proceed with purchase. In the event of a split decision, the S151 officer has the casting vote. Only purchases which are in line with the agreed strategy will be considered by this group. The 'Invest to Earn' group will determine its chair and will receive details of potential purchases from the Assets CoP. They will vote on whether to bring a potential purchase decision to the Head of Paid Service. Any deviation from the agreed strategy (beyond the flexibility parameters) will require Council approval.

Running / Review

Assets to be managed by a contracted third party initially, with overview by Assets CoP, Group Manager, Business Development and the S151 officer. Invest to Earn group to receive regular reporting to confirm portfolio composition and performance. Regular reporting to Audit Committee.

Disposal

To be considered if portfolio breaches the agreed strategy. Decisions to be made in consultation with the 'Invest to Earn' group Chair, Leader, S151 officer and Head of Paid Service.

Business Plan / Financial Implications:

WDBC require c£1m of revenue per annum in order to be financially sustainable, in line with its recently reported Medium Term Financial Strategy (MTFS). Below is a breakdown of how an investment of £75m plus acquisition costs can derive c£1m of revenue after costs to support the financial sustainability of the Council.

Term in Years	50
PWLB Certainty EIP (Mortgage) %	2.88
Acquisition fees @ 7%	5,250,000
Capital investment	75,000,000
Total Investment / Borrowing	80,250,000
Monthly Repayment	252,536
Annual Repayment	3,030,432
Total Repayment Made	151,521,600
Target Portfolio Yield %	5.85
Annual Rent Receivable	4,387,500
Loan Repayment (Annually)	(3,030,432)
Management costs @ 3%	(131,625)
Sinking fund @5% of rent	(219,375)
Annual Surplus	1,006,068

A scenario analysis is included below to show the affect that the yield has on the return achievable from the portfolio. This highlights that the portfolio needs active management and care in choosing the right acquisitions to ensure the minimum yield is achieved. This also highlights that if a higher yield was acceptable, then a shorter loan period could return the £1m income required.

Term in Years	40	45	50
Capital investment	75,000,000	75,000,000	75,000,000
Annual Surplus @ 5.85%	671,832	852,816	1,006,068

Annual Surplus @ 5%	85,332	266,316	419,568
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Annual Surplus @ 5.75%	602,832	783,816	937,068
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Annual Surplus @ 5.95%	740,832	921,816	1,075,068
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Annual Surplus @ 6.15%	878,832	1,059,816	1,213,068
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Annual Surplus @ 6.4%	1,051,332	1,232,316	1,385,568
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A minimum yield of 4.4% is required in order for the £75m investment to breakeven, i.e. cover the cost of loan repayments, the sinking fund for maintenance and the expected management / administration costs.

Appendix B – Business Case for Property Investment

The following information must be completed for each potential purchase that comes before the 'Invest to Earn' group for recommendation to proceed with acquisition.

INVESTMENT NAME AND ADDRESS:

COMPLIANCE WITH STRATEGY – NON-FINANCIAL:

- Sector
- Location
- Building specification
- Lease arrangements
- Quality of tenants

COMPLIANCE WITH STRATEGY OBJECTIVE – FINANCIAL

- Purchase price
- Rental income / initial yield
- Outgoings
- Acquisition costs
- Management and maintenance obligations
- IRR Calculation (Internal rate of return)
- Fit within portfolio

LEGAL ISSUES (to include):

- Review of title and ownership
- Liabilities and restrictions
- Tax requirements

RISK ASSESSMENT:

- Economic and Property Market
- Asset-specific –e.g. location, building quality, lease length, tenant mix/strength, rent payable
- Environmental and regulatory
- Reputational
- Building Condition

REVIEW BY:

- S151 Finance officer
- Head of Assets CoP
- Business Development, Group Manager
- Monitoring officer
- Invest to Earn Group

RECOMMENDATION TO DELEGATED AUTHORITY (Head of Paid Service, Leader, S.151 Officer & Chair of 'Invest to Earn') TO PURCHASE? *YES / NO*

Rationale:

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Appendix C - WBDC Invest to Earn Working Group – Terms of Reference February 2017

Purpose & Role of the group:

- 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.
- 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 group will report to the Council Hub Committee.
- The initial focus of the group will be to consider (in priority order):
 - A singular or series of significant capital investment(s) in commercial property using prudential borrowing;
 - Agreeing a balanced investment strategy
 - Using the Council's existing funds and/or assets and/or acquiring new assets to derive income and community benefits;
 - Other income generation and efficiency opportunities

Membership:

- The group will be made up 3 elected Members, working with officers from the Finance & Assets Community of Practices and from Strategy & Commissioning. Other officers will interact with the group on an 'as needs' basis
- The group will be politically balanced
- The elected members will have as a minimum an interest in the financial sustainability of the Council. Knowledge of the Council's property assets and an understanding of investments is preferable
- Any Member missing three consecutive meetings shall be dropped and a replacement sought
- Other Members & officers are welcome to observe group meetings and may be invited by the Chair to participate as required

Accountability:

- Group members are responsible for reporting back on the activities of the group to their political group and the wider elected membership
- Officers will make recommendations to the group from time to time. The chair will hold a vote on to determine whether these should be progressed, with all elected Members having one vote. In the event of a tie, the Council's S151 officer will decide whether or not that recommendation should be made to the appropriate Council committee or delegated authority. All elected group Members must vote for the vote to be valid
- For the avoidance of doubt, the group themselves cannot determine whether an opportunity should proceed (or funds be expended) if such an opportunity needs delegated authority approval or Council committee approval in line with the Council's constituted scheme of delegation
- Once the Invest to Earn group have agreed to support a recommendation, officers will negotiate the purchase with the retained agent and vendor in order to complete the due diligence prior to presenting the purchase decision to the delegated authority. Officers will revert to the Invest to

Earn group if through the due diligence or negotiation process, any of the purchase criteria parameters are altered by +/- 15% (relative to the measure)

- The appointed chair must vote in line with the Invest to Earn's group decision when representing the group

Review:

- The group will review the relevance and value of its work and the terms of reference every year, with the first review due in January 2018
- The group may elect to undertake a review ahead of this time if it so chooses.

Meetings:

- Meetings will be chaired by one of the group members. A vote for chair and deputy will take place at the first meeting with each elected Member having one vote. In the case of a tie, the Leader of the Council will have the casting vote. The role of chair will be reviewed annually.
- Meetings will be convened as and when required and held at least 4 times a year
- 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 each meeting

Agenda Item 7

Report to: **Hub Committee**
Date: **28 March 2017**
Title: **REVIEW OF HUB COMMITTEE AND THE OVERVIEW AND SCRUTINY FUNCTION**
Portfolio Area: **Strategy and Commissioning - Cllr Sanders**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview and Scrutiny (Internal and External) Committees

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

Date next steps can be taken: The Committee recommendations will be presented to the Council meeting on 11 April 2017 for approval.

Author: **Political Structures Working Group** Chairman: **Cllr J McInnes**

Contact: **Email: CllrJ.McInnes@westdevon.gov.uk**

RECOMMENDATION:

That the Working Group has undertaken a review into the working arrangements of the Hub Committee and Overview and Scrutiny function and **RECOMMENDS** that the Hub Committee **RECOMMEND** to Council that:

1. the existing governance arrangements for Hub Committee are working well and should therefore be retained;
2. the Overview and Scrutiny function be carried out by one Committee (rather than two) with effect from the Annual Meeting in May 2017;
3. With effect from the Annual Meeting in May 2017, Members of West Devon Borough Council sit on either Hub Committee, or Audit Committee or Overview and Scrutiny Committee. In so doing, substitutes will not be allowed on any of Audit, Hub and Overview and Scrutiny Committees;

4. the Hub Committee has a membership of 9, Overview and Scrutiny Committee has a membership of 15 and Audit Committee membership is increased to 7; and
5. the Hub Committee Forward Plan be improved to better enable more effective programming of agenda items for Overview and Scrutiny Committee.

1. Executive summary

- 1.1 When the Council approved its revised governance arrangements, Members reiterated the importance of reviews being undertaken to ensure the effectiveness of the new arrangements.
- 1.2 It was equally recognised that the Political Structures Working Group was the appropriate forum for this review to take place. In conducting this most recent review the Group has met on one occasion.
- 1.3 The Working Group has made recommendations in respect of the structure of Overview and Scrutiny, membership of Audit, Hub and Overview and Scrutiny Committees and the Hub Committee Forward Plan, all of which should further improve the effectiveness of decision making at West Devon Borough Council.

2. Background

- 2.1 At its full Council meeting on 9 December 2014, West Devon Borough Council agreed to revise its governance arrangements to come into effect from May 2015 (Minute CM 65 refers). One of the main revisions was the creation of a single Committee as follows:

"One politically balanced Hub Committee with 9 places on the Committee, scheduled to meet 10 times per year."

- 2.2 The Hub Committee has now been in place for almost two years, and it was always intended that the arrangements be regularly reviewed to assess the effectiveness of the new structure. The first review into the roles and responsibilities of the Hub Committee took place during 2016 and was reported to Hub Committee on 22 March 2016 (Minute HC 63 refers), and Council on 5 April 2016 (Minute CM 61 refers). The resolution was as follows:

"The existing governance arrangements are working well and should therefore be retained, subject to the approval of some minor amendments as outlined in section 5 of the presented report"

- 2.3 This recent review which has resulted in this report took place at the request of a number of Members and included discussion on the Overview and Scrutiny Committees as well as the Hub Committee.

- 2.4 The Political Structures Working Group (PSWG) is the appropriate body to undertake that review and it met on 14 March 2017 to consider the existing arrangements.
- 2.5 In order to enable any changes to take place with effect from the Annual Council meeting in May 2017, the outcome from the meeting of the PSWG must be reported to the next meeting of full Council on 11 April 2017. The challenging timeframe has not allowed for views to be formally sought from the wider membership, however the report is being presented to Hub Committee on 28 March 2017 where Members views would be welcome, prior to presentation to Council on 11 April 2017.

3. Outcomes/outputs

Overview and Scrutiny Committees

- 3.1 The PSWG considered a number of aspects in relation to Overview and Scrutiny Committees.
- 3.2 The Group considered whether Members should specialise in one area, for example, Audit, Hub, Overview and Scrutiny. This would enable Members to have a more focussed approach. It was discussed and agreed to recommend that all Members sit on either Audit Committee, Hub Committee or Overview and Scrutiny Committee.
- 3.3 The Group then discussed whether there should be one or two Overview and Scrutiny Committees. One of the prompts for this discussion was the comments raised at the Joint Overview and Scrutiny Committees meeting held on 17 January 2017 which had been felt to be a particularly effective meeting. There were disadvantages to two Committees, particularly in terms of timing for agenda items. For example, it was difficult to time the reporting of Performance Indicators to Overview and Scrutiny Committee (Internal) to coincide with the end of the reporting quarter. If there was only one Overview and Scrutiny Committee, it could meet more frequently and those meetings could be co-ordinated with Hub Committee meetings and timed to enable a more meaningful discussion on Performance Indicators. A single Overview and Scrutiny Committee could be more focussed on the function itself, rather than whether an item was appropriate for an Internal or External Committee focus (or indeed both).
- 3.4 In terms of membership numbers, the Group felt that the Audit Committee should be increased to 7 to reflect the wider responsibilities of the Committee such as Risk Management and Review of Constitution. The increase in membership would also balance the fact that the Committee will no longer have substitutes, as Members will sit on either Audit Committee, or Hub Committee or Overview and Scrutiny Committee.

- 3.5 Whilst this change to the Audit Committee membership would result in an Overview and Scrutiny Committee of 15, this was considered appropriate as it would enable resilience within the Committee to appoint to Task and Finish Groups where necessary.
- 3.6 In discussing Task and Finish Groups, the Group all agreed that this was an area which had been successful and the practice of using Task and Finish Groups for discrete pieces of work should continue.
- 3.7 The Group discussed the practice of reports being presented to Overview and Scrutiny, and then Hub Committee and then Council. The Group did not feel that this was the most effective use of resources. The Group also discussed how items could be brought forward to the Overview and Scrutiny Committee agenda. It was understood that the Hub Committee Forward Plan was a vehicle to enable Overview and Scrutiny Members to receive updates from Hub Committee Lead Members, on forthcoming reports. However, it was accepted that the Forward Plan was not particularly effective and was not currently used as it had been intended. It was agreed that a recommendation be proposed that the Hub Committee Forward Plan be improved to better enable effective programming of items on the Overview and Scrutiny Committee agenda.
- 3.8 A further advantage of a single Overview and Scrutiny Committee was that the reduction in resource requirements to support two Committees would enable more time to be spent on focussed work programming which would help to add value to the Overview and Scrutiny function.
- 3.9 One Member stated that there was a duplication of work for officers in undertaking policy development at both West Devon Borough Council and South Hams District Council. A joint Overview and Scrutiny Committee was not yet possible, however, joint working should not be ruled out. As well as reducing the workload for officers, informal joint meetings of Overview and Scrutiny would facilitate learning and sharing of knowledge across both Councils and should be encouraged.
- 3.10 The Group were keen that Overview and Scrutiny should be a positive process that added value to the organisation. The Group hopes that the recommendations within this report will support this.

Hub Committee

- 3.11 The Group then considered a number of questions relating to the effectiveness of the Hub Committee.
- 3.12 It was agreed that the Hub Committee should remain with a membership of 9. Lead Members had settled into their roles and, following the changes that took place after the last review, the Group felt that whilst the workload amongst the Lead Members would never be equal, it was now more equally shared.

- 3.13 The Group accepted that there were some areas that crossed over more than one Lead Member responsibility. In such cases, it was important that the Lead Members recognised this and communicated with other Lead Members who may have an interest.
- 3.14 In response to discussions about the relationship between Lead Members and their related officers, the Group was of the view that some working relationships could be better, however, it was not just the responsibility of officers but that the Lead Member should take responsibility for keeping in touch with officers to ensure that they were aware of developments within their area of responsibility.
- 3.15 It was also agreed that it would be beneficial for Lead Members of the Hub Committee to meet informally with the Senior Leadership Team (SLT) on a periodic basis to allow early discussion of matters that may come forward, and help to confirm direction of travel for the organisation. This meeting should not be used to make decisions. It would not be open to the wider membership to attend, but would help to improve communication between SLT and Hub Committee as a Group.
- 3.16 The Group felt that the Hub Committee was working well, and Lead Members were settling into the responsibilities of their role. The Group were pleased to note the increase in numbers of other Members who now attended Hub Committee meetings.

4. Options available and consideration of risk

- 4.1 The Group considered a number of options in their discussions, as set out above, and have concluded that the recommendations made represent the most effective future governance structure for West Devon Borough Council.

5. Proposed Way Forward

- 5.1 To adopt the recommendations as set out and make changes to the Constitution and governance arrangements accordingly, to take effect from Annual Council May 2017.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	In accordance with the Council Constitution, it is ultimately a decision for the Council if it wishes to make any proposed revisions to the Council's governance arrangements.
Financial	N	Since there is no appetite to increase the membership of the Hub Committee, there are no financial implications associated with this report other than the reduction of a SRA for Chairman of Overview and Scrutiny Committee.

Risk	N	The proposed amendments to the working arrangements will ensure that the Council retains an efficient and cost effective governance structure.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no equality and diversity implications associated with this report.
Safeguarding	N	There are no safeguarding implications associated with this report.
Community Safety and Crime and Disorder	N	There are no Community Safety and Crime and Disorder implications associated with this report.
Health, Safety and Wellbeing	N	There are no Health, Safety and Wellbeing implications associated with this report.
Other implications		There are no other implications associated with this report.

Supporting Information

Appendices:

None

Background Papers:

Council Report and Minutes – 9 December 2014 Meeting
Hub Committee Report and Minutes – 22 March 2016 Meeting
The Council Constitution

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