

South Hams Executive



Title:	Agenda
Date:	Thursday, 20th July, 2017
Time:	10.30 am
Venue:	Repton Room - Follaton House
Full Members:	<p style="text-align: center;">Chairman Cllr Tucker</p> <p style="text-align: center;">Vice Chairman Cllr Wright</p> <p><i>Members:</i> Cllr Bastone Cllr Hopwood Cllr Gilbert Cllr Wingate</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

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| 1. Minutes | 1 - 4 |
| to approve as a correct record and authorise the Chairman to sign the minutes of the meeting of the Executive held on 29 June 2017; | |
| 2. Urgent Business | |
| brought forward at the discretion of the Chairman; | |
| 3. Division of Agenda | |
| to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information; | |
| 4. Declarations of Interest | |
| Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting; | |
| 5. Public Question Time | 5 - 6 |
| a period of up to 15 minutes is available to deal with questions submitted to the Council in accordance with the Executive Procedure Rules; | |
| 6. Medium Term Financial Position 2018/19 to 2022/23 | 7 - 30 |
| 7. Commercial Property Acquisition Strategy | 31 - 50 |
| 8. Proposal for a Single Council for South Hams and West Devon | 51 - 128 |
| 9. Exclusion of Public and Press - to consider the following resolution to exclude the public and press:- | |
| "That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act"; | |
| 10. Delivery of Best Value for Money Front Line Services | 129 - 166 |
| 11. Transfer of Land to Salcombe Town Council | 167 - 180 |

12. Re-admittance of Public and Press

13. Write Off Report Q4 2016/17

181 - 188

14. Write Off Report 2017/18 Q1

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**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD AT FOLLATON HOUSE ON THURSDAY 29 JUNE 2017**

Members in attendance:			
* Denotes attendance			
∅ Denotes apologies for absence			
*	Cllr H D Bastone	*	Cllr R J Tucker
*	Cllr R D Gilbert	*	Cllr S A E Wright
*	Cllr N Hopwood	*	Cllr K Wingate

Also in attendance and participating		
Item 6	E.04/17	Cllrs Birch and Green
Item 7	E.05/17	Cllr Baldry
Also in attendance and not participating		
Cllrs Brown, Bramble, Hicks, Hodgson, Holway, Huntley, Pearce, Pringle, Saltern and Steer		

Officers in attendance and participating		
All items		Executive Director (Strategy and Commissioning), Section 151 Officer and Specialist – Democratic Services
Item 6	E.04/17	Group Manager Business Development
Item 7	E.05/17	Operational Manager (Environment Services)

E.01/17 MINUTES

The minutes of the Executive meeting held on 20 April 2017 were confirmed as a true record and signed off by the Chairman.

E.02/17 DECLARATIONS OF INTEREST

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

E.03/17 PUBLIC QUESTION TIME

It was noted that no public questions had been received.

E.04/17 EVENTS POLICY UPDATE

Members considered a report that sought approval of the proposed Events Policy, following consideration by a Task and Finish Group. The policy was designed to remove ambiguity and ensure that officers could more easily support event organisers by having a clear policy and charging regime to follow.

The Portfolio Holder for Commercial Services presented the report and a number of Members congratulated the Task and Finish Group on producing the document that was now being presented to the Executive.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** that:

1. To approve the proposed policy as detailed in presented Appendix 1, subject to minor wording changes being delegated to the Group Manager, Commercial Services in consultation with the Portfolio Holder;
2. That the Events Task and Finish group is dissolved; and
3. Once live, the Policy is reviewed annually and the fees levied are reviewed as part of the regular SHDC fee and charge setting process.

E.05/17 PAY AND DISPLAY CHARGES REVIEW

Members were presented with a report that sought consideration of recommendations to amend the Pay and Display charges in accordance with the revised schedule presented as Appendix 1.

The Portfolio Holder for Commercial Services introduced the report.

It was then:

RESOLVED:

1. That Council be **RECOMMENDED** that Pay and Display charges be amended in accordance with the revised Appendix 1 following consultation with local communities.
2. That it be agreed that public consultation in respect of the revised Pay and Display charges takes place ahead of the Council meeting.

E.06/17 REPORTS OF OTHER BODIES

RESOLVED

That the following be received and that any recommendations contained therein be approved:

- a) **Overview and Scrutiny Panel – 16 May 2017**

i. O&S.9/17 TASK AND FINISH GROUP UPDATES
B. Waste and Recycling

It was then **RESOLVED**:

1. the key findings of the Waste Working Group be referred to the SH/WD Joint Steering Group and used to inform the Budget Setting process for 2018/19;
2. with immediate effect, the Council furthers discussions with Devon County Council related to disposal costs linked to service design and transfer station use;
3. efficiencies linked to current service delivery (as outlined in the Working Group scope) and at paragraphs 3.4 – 3.11 inclusive are delivered during 2017/18 where proven to be operationally feasible;
4. that Council be **RECOMMENDED** that a charge of £35 per container be imposed on new standard 180 litre wheeled bins for any newly built properties and for any householder requests to be in receipt of additional bins; and
5. the notes arising from meetings of the SH/WD Joint Steering Group be presented to future Panel meetings for consideration.

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF E.04/17, E.05/17 (1) and E.06/17 (4) WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 27 JULY 2017, WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY, 10 JULY 2017 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

(Meeting commenced at 10.00 am and concluded at 10.15 am)

Chairman

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PUBLIC QUESTIONS AT EXECUTIVE MEETINGS

The Council at its meeting on 21 June 2001 agreed that 15 minutes should be set aside at the beginning of the Council's monthly Executive meetings to allow members of the public to ask questions.

Any member of the public who wants to raise a question at a meeting should:-

- (a) submit the question in writing to the Democratic Services Manager by 5.00 pm on the Monday prior to the Executive meeting. This will allow a detailed answer to the question to be given at the meeting. If advance notice of the question cannot be given, the Chairman of the meeting has the discretion to allow questions on matters which are felt to be urgent;
- (b) ensure that normally questions are no longer than 50 words in length;
- (c) ensure that the question does not relate to a specific planning matter (this is specifically excluded from the public question time);
- (d) ensure that the question relates to something over which the Council has some control and is suitable to be considered, ie, that it is not derogatory to the Council or relates to matters which the Council could consider confidential.

For any further advice on questions for Executive meetings, please contact Kathryn Trant (Member Services Manager).

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Agenda Item 6

Report to: **Executive**

Date: **20th July 2017**

Title: **Medium Term Financial Position 2018/19 to 2022/23**

Portfolio Area: **Cllr R Tucker - Annual Budget Setting Process**

Wards Affected: **All**

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

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

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

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

Recommendations:

It is recommended that the Executive:-

- (i) Notes the forecast budget gap by 2020/21 of £0.8 million
- (ii) Agrees the financial strategy of the Joint Steering Group (JSG) set out in 1.7 to 1.13
- (iii) Agrees the budget principles set out in 1.14
- (iv) Agrees maintaining the current Council policy on the minimum level of unearmarked reserves being £1.5 million (see Section 9).
- (v) Considers the five year Medium Term Financial Position (MTFP) and provides principles to be adopted on certain elements with the MTFP such as:
 - the level of council tax increase for 2018-19,
 - the use of New Homes Bonus to support the revenue budget for 2018-19 onwards.

1. Executive summary

- 1.1 The Council's Medium Term Financial Position (MTFP) is based on a financial forecast over a rolling five year timeframe to 2022/23 which will help ensure resources are aligned to the outcomes in Our Plan (see Section 5). The forecast is intended to provide a framework within which decisions can be made regarding the future service provision and council tax levels whilst building an approach that guarantees South Hams District Council's longer term viability. The Council's Strategic Plan (Our Plan) will be reviewed in 2017/18.
- 1.2 The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. As shown in 2.3 and 2.4, between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £4 million.
- 1.3 South Hams has continued to work in partnership with West Devon Borough Council which has allowed South Hams District Council to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending as outlined in the Comprehensive Spending Review.
- 1.4 South Hams District Council is currently forecasting a £0.8m budget gap by 2020/21, with West Devon forecasting a £1.1m budget gap for the same period.
- 1.5 Both Councils acknowledge that there is no single solution to addressing the reduction in funding while maintaining services across the two areas, and a number of initiatives are being considered in parallel. To put this into context, South Hams has a net revenue budget of £8.3m in 2017/18 and West Devon has a net revenue budget of £7.4m for the same period.
- 1.6 During 2015/16 the Council reviewed its priorities and Members agreed that their top priority was to achieve financial sustainability. Members also stated that they did not want to see a reduction in the level and quality of the statutory services delivered to their communities.

Financial Strategy of the Joint Steering Group (JSG)

- 1.7 The Joint Steering Group (JSG) was tasked by South Hams District Council and West Devon Borough Council to consider options to achieve financial sustainability and address the forecast budget deficit for both Councils.

- 1.8 The strategy being advocated by the Joint Steering Group is to implement a number of different schemes, not only to meet the immediate funding gap but to ensure financial sustainability for the medium to long term. Each scheme will vary in risk profile, achievability and the impact on our finances. By implementing a number of solutions rather than over-reliance on one option, the Councils will spread the risk and maximise the benefits.
- 1.9 One of those options is the formation of a single Council, and the intention of the Proposal is to respond to severe financial public sector constraints, maximise efficiencies and simplify the way that the Councils work, whilst protecting and investing in the services that the Councils provide. There is a separate report on the Executive agenda regarding the Single Council proposal.
- 1.10 Other measures that the Councils are currently considering are outsourcing some of their front-line services such as waste and recycling services and also considering a programme of buying and renting out commercial properties. Again, there is a separate report on the Executive agenda regarding the commercial property acquisition strategy.
- 1.11 The two schemes most likely to achieve financial sustainability are the commercial acquisition strategy and the single Council proposal - neither of which will meet the immediate budget deficit for 2018/19 therefore the Council will also need to consider some other short term solutions through the budget setting process this year.
- 1.12 The strategy to consider these three distinct but inter-related work streams will help the Councils to generate revenue streams and reduce inefficiencies, thereby contributing to the long term financial sustainability of each Council and enabling them to continue to deliver, and where possible improve, statutory frontline services rather than looking to reduce services in order to deal with budgetary cuts.
- 1.13 As the Council works through these ideas, reports will be presented to both Councils who will ultimately make the decision on the future of both Councils and how services will be funded into the future.

BUDGET PRINCIPLES

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

Adopt the financial strategy of the Joint Steering Group (JSG) set out in 1.7 to 1.13. By implementing a number of solutions rather than over-reliance on one option, the Council will spread the risk and maximise the benefits. One of the options is the formation of a single Council. Other options that the Councils are currently considering are outsourcing some their front-line services such as waste and recycling services and also considering a programme of buying and renting out commercial properties.

To protect statutory frontline services in the options progressed by the Council.

To continue working in partnership with West Devon Borough Council, to protect the shared services efficiency savings (in excess of £6 million per annum across both Councils) and to maximise each organisation's efficiency to address future financial challenges. There is an interdependency between the two Councils due to the extent that services have been shared in the past.

To use New Homes Bonus to temporarily fund the Revenue Base budget, whilst other options are progressed on an Invest to Save basis to generate new revenue streams.

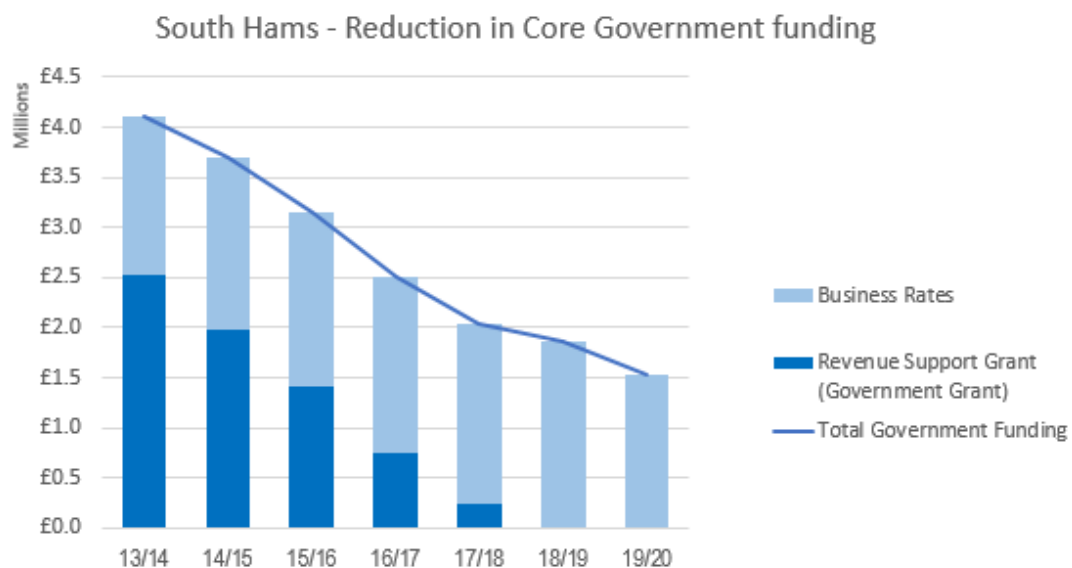
To maximise income generation and funding through New Homes Bonus and Business rates growth

PURPOSE OF A MEDIUM TERM FINANCIAL POSITION (MTFP)

- 1.15 Financial planning sits at the heart of good public financial management. Alongside budget preparation, performance management and stakeholder reporting, the ability to look strategically beyond the current budget period is a crucial process to support the Council's resilience and long-term financial sustainability.
- 1.16 Developing the Medium Term Financial Position brings together all known factors affecting the Council's financial position and its financial sustainability into one place. This provides a clear view of the options to address gaps in long-term financing.
- 1.17 At the September 2017 Executive meeting, the Council will set its Medium Term Financial Strategy.

2 THE FOUR YEAR SETTLEMENT FUNDING OFFER

- 2.1 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. The Council applied and was accepted for the four year agreement.
- 2.2 By 2018/19 the Council receives no Government funding (Revenue Support Grant) and the Council will need to be self-sufficient. The withdrawal of Government funding has happened two years earlier than expected. The Council's Settlement Funding Assessment (Government Grant and funding from Business Rates) is reducing by a further 39.3% between now and 2019/20. This compares to a 18.7% cut for Metropolitan Districts and 32.4% for Shire Districts. Counties vary between 30% to 31%.
- 2.3 District Councils such as South Hams have also suffered a large reduction in their New Homes Bonus funding (£0.5 million in 17/18) due to the number of years payments being reduced from six years to five years in 17/18 and four years from 18/19 onwards. The funding being released is to contribute towards adult social care costs, a function carried out by Unitary and County Councils.



In 2009/10, South Hams District Council received £5.5m in Core Government funding. By 2019/20 this has been reduced to £1.5 million as shown.

- 2.4 In 2009/10, South Hams District Council received £5.5m in Core Government funding. By 2019/20 this has been reduced to £1.5 million as shown. It can be seen from the graph above that between 2009/10 and 2019/20 the Council's Core Government funding will have reduced by £4 million.
- 2.5 The options that the Council is exploring to secure financial stability are further explained in Section 7.
- 2.6 It is hugely concerning that the Queen's Speech did not reintroduce the Local Government Finance Bill, which provided the legislative framework for the introduction of 100% Business Rates Retention. With no Revenue Support Grant in 2018/19, the loss of the 100% business rates is a further threat to being able to pay for valuable services.

3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

- 3.1 The Trade Union pay claim for 2018/19 is for one year (2018/19) and is for a 5% increase on all pay scales. A budget provision of 1% for 2018/19 (£90,000) onwards has been modelled. The Medium Term Financial Position is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 3.2 The report assumes inflation will run at 2% over the five year period. The Consumer Prices Index (CPI) rose to 2.9% in May 17.
- 3.3 The Medium Term Financial Position has included a cost pressure of £220,000 for Inflation and increases on Goods and Services. The main items are:-
- £80,000 – Staff salary increments
 - £40,000 – Business Rates increases (Revaluation 2017/18 onwards)
 - £30,000 – Utilities inflation
 - £20,000 – Fuel inflation
 - £10,000 – Insurance premiums
- An amount of just over £40,000 is to fund a 2% uplift on other expenditure budgets (£2 million).
- 3.4 The predicted interest rate forecast from our treasury management advisors, Capita, is that they will remain at 0.25% until Autumn 2019, when they will rise to 0.5%. Officers will make recommendations in September on the strategy for internal borrowing and external borrowing for the leisure investment.

- 3.5 An increase in council tax of £5 for the next five years has been modelled for council tax purposes. This would equate to a Band D council tax for South Hams of £160.42 in 2018/19 as shown in Appendix B and equates to a council tax increase of 3.2%.
- 3.6 It has been assumed that the number of properties within the District will increase by 450 per annum from 2018/19 to 2022/23 – this is an increase of approx. 1.2% - the Council had 37,379.62 Band D equivalent properties in 2017/18. These additional properties have been used to calculate the amount of additional Council Tax and also the potential for New Homes Bonus.

4. BUSINESS RATES AND COUNCIL TAX

- 4.1 **Retained Business Rates** - The Government introduced the Business Rates Retention system from April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline. The Council would be able to rejoin the Devonwide Business Rates Pool for 2018/19 as significant business rates appeals were agreed in 2016/17.
- 4.2 Of the Business Rates collected of £30.8 million, the Council is predicted to retain in funding only £1.86 million of this in 2018/19. So the District Council retains approximately 6p in every £1 to run our services.

Self-sufficient local government: 100% Business Rates Retention

- 4.3 The move from 50% to 100% Business Rates Retention (BRR) will see new responsibilities given to local government, with certain central government grants already being phased out for many Councils such as South Hams (such as Revenue Support Grant). The Government has previously announced that the move to 100% BRR will be fiscally neutral. As the Local Government Finance Bill was omitted from the Queen's Speech, the timing for the introduction of 100% BRR is now unclear.

Council Tax

- 4.4 South Hams District Council's share of the council tax bill in 2017/18 was **9%**, being £155.42 out of an average Band D council tax bill of £1,737.25. The total income from council tax in 2017/18 is £5,809,541.

The table below shows how an average Band D council tax bill is made up for South Hams for the last two years:

Precepting Authority	Band D 2016/17	Band D 2017/18	£ Increase	% Increase	Date Approved
South Hams District Council	£150.42	£155.42	£5.00	3.32%	9 Feb 2017
Devon County Council Precept	£1,184.39	£1,208.46	£24.07	1.99%	16 Feb 2017
Adult Social Care Precept *	£23.23	£59.46	£36.23	3.00%*	
Devon & Cornwall Police & Crime Commissioner	£172.84	£176.28	£3.44	1.99%	3 Feb 2017
Devon & Somerset Fire & Rescue	£79.98	£81.57	£1.59	1.99%	17 Feb 2017
Average Parishes/Towns	£49.87	£56.06	£6.19	12.41%	
TOTAL	£1,660.73	£1,737.25	£76.52	4.61%	

*This is an additional precept for authorities who have Adult Social Care responsibilities.

£5 council tax referendum limit for District Councils

- 4.5 The Finance Settlement confirmed that the Council Tax referendum limit for all District Councils for 2017/18 was the higher of 2% or more than £5. This meant that the District Council had the flexibility to increase its Band D council tax by £5 for 2017/18. It has been assumed in this report that the same council tax referendum principles will apply for 2018/19. There has been no Government announcement on this. (An increase of £5.01 triggers a council tax referendum).
- 4.6 At the Members' Budget Workshop held 21st September 2016, there was early support for increasing council tax by the maximum allowable of £5. At this event it was recognised that this measure would increase the base budget for ensuing years and protect the delivery of services and the Council's financial resilience. **Members' views are sought on setting a Principle around the council tax increase for 2018/19.** A Member Budget workshop will be held in September 2017.

5 THE COUNCIL'S STRATEGIC PRIORITIES – OUR PLAN

- 5.1 The Council's 'Our Plan' describes the Council's vision and its aspirations for our communities. It does this by setting out what the Council wishes to deliver to our communities under eight themes. These themes are: Homes; Economy; Communities; Wellbeing; Infrastructure; Environment; Heritage; and Resources.
- 5.2 'Our Plan' is due to be reviewed during the 2017/18 financial year.

6 BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

- 6.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 6.2 **Appendix A** to the Medium Term Financial Position sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. ***These figures in Appendix A show the changes to the existing base budget.*** A description of the larger budget pressures are set out below.
- 6.3 The Medium Term Financial Position has included a cost pressure of £220,000 for Inflation and increases on Goods and Services in 2018/19. The breakdown of this is set out in 3.3.
- 6.4 Torr Quarry Transfer Station – Following recent meetings with DCC it is to be expected that the benefit currently paid for the transfer station at Torr Quarry will be withdrawn from 2018/2019. This will give a cost pressure of between £250,000 and £280,000 based on current tonnages if no claw back is negotiated for tipping away payments, under the Environmental Protection Act 1990. Officers are currently in negotiation with DCC and will have a final position by the end of the summer.
- 6.5 **Salaries** – A 1% provision for a pay award has been included for 2018/19 which totals £90,000. This is explained in section 3.1. Any increase over 1% will add an extra cost pressure of £90,000 for each additional 1% increase.
- 6.6 Vehicle Fleet Replacement Reserve – The contributions to the Vehicle Fleet Replacement Reserve are as per the report to the Executive on 20th October 2016.

SAVINGS AND INCOME GENERATION

- 6.7 **Re-procurement of contracts** – The Medium Term Financial position shows the savings in Appendix A from the re-procurement of outsourced contracts.
- 6.8 The planning fee income target has been increased by £60,000 in 18/19, to reflect actual income being achieved in 16/17.

6.9 Similarly, the Car parking income target has also been increased by £50,000 in 18/19, to reflect actual income being achieved in 16/17.

6.10 **Income from Commercial Developments** – Estate management rental income will increase by £30,000 in 2018/19 and £20,000 in 19/20, due to the commercial developments at Burke Road, Totnes and Admiral Court, Dartmouth.

6.11 Council Tax Reduction scheme – a 9.85% reduction in the Town and Parish Grant has been built in up until 2019/20.

7. OVERALL POSITION – BUDGET GAP

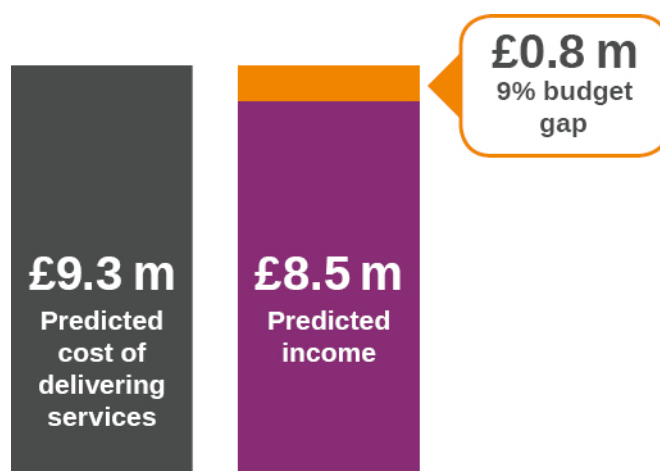
7.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council’s Net Budget is £8.3 million in 2017/18.

7.2 A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by £5 (shown in Appendix B).

7.3 The following table illustrates the predicted budget gap from 2018/19 onwards for the Council as shown in Appendix B:

	2018/19	2019/20	2020/21	2021/22	2022/23
Cumulative budget gap	£584,647	£753,278	£816,627	£835,040	£898,953

7.4 South Hams District Council is currently forecasting a £0.8m budget gap (9%) by 2020/21 as shown in Section 1.4.



South Hams District Council
Predicted budget for 2020/21

OPTIONS TO MEET THE BUDGET GAP

7.5 The section below shows options to meet the budget gap:

	2018/19	2019/20	2020/21	2021/22	2022/23
Budget Gap	£585,000	£753,000	£817,000	£835,000	£899,000
Options to meet the Budget Gap					
(i) Commercial Property acquisition Strategy – see 7.6 (1 st tranche of £25 million shown for illustration)	Savings between £(154,000) to £(297,000)	Savings between £(154,000) to £(297,000)	Savings between £(154,000) to £(297,000)	Savings between £(154,000) to £(297,000)	Savings between £(154,000) to £(297,000)
ii) Single Council proposal (assume 60% share of Single Council savings/additional income for illustration purposes only 7.7)	N/A (first year is 19/20)	£(423,600) (This is 60% of £706,000)	£(1,221,000)	£(1,761,000)	£(1,584,000)
iii) Wholly Owned Company/Out-sourcing (Savings to be confirmed – 7.8)	tbc	tbc	tbc	tbc	tbc
iv) Dartmouth Lower Ferry - 7.9	£(100,000)	£(100,000)	£(100,000)	£(100,000)	£(100,000)
Total potential savings/additional income from all of the Options (£154K assumed for commercial property)	£254,000	£677,600	£1,475,000	£2,015,000	£1,838,000

7.6 **Commercial Property Acquisition Strategy** – a £25 million portfolio (first tranche for example) is predicted to achieve additional surplus property income of between £154,000 and £297,000. However the portfolio will take time to build up to a £25 million level. A report on the commercial property acquisition strategy is an item also on the Executive agenda.

7.7 **Single Council option** – This is a separate item on the Executive agenda for consideration. The following table summarises the costs and savings as a result of implementing a single Council across South Hams and West Devon. A 60% share of the net income has been used for illustration purposes only. For example, in 2019/20, a 60% share of £706,000 of the net income is £423,600.

Financial Summary	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Planning and Implementation Costs (one-off)	30,500	85,500	154,000	20,000	20,000	15,000	0
Annual Efficiency Savings	0	0	-60,000	-455,000	-455,000	-455,000	-540,000
Increased Income from Council Tax equalisation (Option 5 shown for illustration purposes only)			-800,000	-1,600,000	-2,500,000	-2,200,000	-1,900,000
Net cost/(income)	30,500	85,500	-706,000	-2,035,000	-2,935,000	-2,640,000	-2,440,000

7.8 **Wholly owned company/Out-sourcing.** In February/ March 2017 the Councils decided not to set up a Local Authority Controlled Company for all services. However this is still an option for some services, as is continued or further outsourcing of some services where there is a clearly defined market or efficiency opportunity. This is in respect of waste and cleansing services, grounds and building maintenance services. Staff are currently undertaking market testing to advise on which options will offer the best value to the Councils. This is therefore the subject of another report on the Executive agenda.

7.9 **Dartmouth Lower Ferry** – The Council is concluding negotiations with the Unions on new working arrangements, to be in place within the first half of 17/18. A report to the Executive is expected in September 2017.

7.10 **Other options for savings/additional income**

The Senior Leadership Team, in conjunction with the Extended Leadership Team will put forward service reduction/additional income options for early discussion with Members. These will be part of a report to Members in September.

Other Options:

7.11 **New Homes Bonus funding**

The expected levels of NHB received will be in the region of £1 million (in 18/19 and 19/20). The Medium Term Financial Position currently assumes £0.5 million of NHB will be used for the Revenue Budget in 2018/19 and thereafter. Of the remaining £0.5 million, the draft Capital Programme for 18/19 allocated £230,000 for affordable housing projects and £190,000 for play parks. In addition, £153,900 of NHB is normally used for the Community Reinvestment Scheme. Members could decide not to support the above capital projects and initiatives and this would leave more NHB available to support the Revenue Base Budget. More information on NHB was shown in the Budget report to the Executive on 2 February 2017.

- 7.12 Council Tax referendum – The Council could hold a council tax referendum if it wished to raise council tax higher than the District Council threshold of £5. The cost of a referendum would be around £130,000.

A 1% increase in council tax raises £58,000 in council tax income. Therefore a 10% increase in the council tax – i.e. an increase from £155.42 to £170.96 Band D which is an increase of £15.54(10%), would generate additional council tax income of £580,000 per annum.

7.13 ***One-off Use of Unearmarked Reserves in 2018-19***

If Reserves were to be used to partially balance the budget in 2018-19, this only moves the budget shortfall (budget gap) back one year in terms of timing to address it. Unearmarked Reserves currently stand at £1.765 million and the minimum level of Unearmarked Reserves to be held is recommended to be £1.5 million.

A list of Unearmarked Reserves and Earmarked Reserves are shown in Appendix C.

7.14 **Business Rates Pilot 18/19?**

The Local Government Finance Bill was not included within the Queen's Speech and therefore the timing of any Business rates pilots for 2018/19 is very much unknown.

CAPITAL PROGRAMME AND PRUDENTIAL BORROWING

- 8.1 The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.
- 8.2 A proposed Capital Programme for 2018/19 onwards will be part of the Medium Term Financial Strategy (MTFS) to the Executive in September.
- 8.3 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made.

9. EARMARKED AND UNEARMARKED RESERVES

- 9.1 A schedule of Earmarked and Unearmarked Reserves is shown in Appendix C.
- 9.2 It is recommended to maintain the current Council policy on the minimum level of unearmarked reserves being £1.5 million.

- 9.3 **Sensitivity analysis and risk analysis** – The figures within the Budget Proposals will be subject to a sensitivity analysis of the figures and a risk analysis. This will be part of the Budget report to the Executive in September 2017, which will be a Medium Term Financial Strategy report.

10 OTHER BUDGET ITEMS

- 10.1 **Members' Budget Workshop** – A Members' Budget Workshop will be arranged in September 2017, to give all Members the opportunity to influence and shape the budget setting process. At last years workshop, there was early support for increasing council tax by the maximum allowable of £5. At this event it was recognised that this measure would increase the base budget for ensuing years and protect the delivery of services and the Council's financial resilience.

Devolution

- 10.2 The Council plays an active part in the Heart of the South West LEP's devolution project.

11 FEES AND CHARGES

- 11.1 The Council has the power to levy fees and charges for various services and functions it undertakes. Some of these fees are set by statute while for others the Council can make "reasonable" charges for the services it provides. The undertaking of regular reviews of charges allows, where possible, for the Council to recover the cost of officers' time in providing the service.
- 11.2 Fees and Charges will be presented to the Overview and Scrutiny Panel around November 2017.

12 Timetable

- 12.1 The Medium Term Financial Strategy will be considered by the Overview and Scrutiny Panel in August. There will be a MTFs report to the Executive in September.

13 Looking Forward to the Future

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

14. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Executive is responsible for recommending to Council the budgetary framework. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>
Financial	Y	The financial implications are set out in Section 7.5
Risk	Y	The risks of the options in 7.5 will be set out in the separate Executive reports of the options.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information
Appendices:

- Appendix A – Budget pressures and savings
- Appendix B – Modelling of council tax increasing by £5
- Appendix C – Schedule of Reserves

Approval and clearance of report

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

	BASE 2017/18 £	Yr1 2018/19 £	Yr2 2019/20 £	Yr3 2020/21 £	Yr4 2021/22 £	Yr 5 2022/23 £
BUDGET PRESSURES						
Inflation and increases on goods and services	310,000	220,000	220,000	220,000	220,000	220,000
Torr Quarry Transfer Station	0	280,000				
Triennial Pension revaluation	125,000			75,000		
Reduction in planning fee income	125,000					
Salaries - provision for pay award at 1%	90,000	90,000	90,000	90,000	90,000	90,000
National Living Wage and National Insurance	75,000	50,000	50,000	25,000	25,000	25,000
Salaries for Environmental Services manual workers	75,000					
Reduction in recycling income	85,000					
Torr Quarry Transfer Station haulage costs	30,000					
Planning Community of Practice	50,000					
Sherford project team	45,000					
Reduction in Housing Benefit administration subsidy and Council Tax Support Admin Grant	40,000	20,000	20,000			
Reduce saving on waste round review	40,000					
Reduction in treasury management income	25,000	10,000	10,000			
Cost of lease renewal	20,000					
Staff resource - Finance Community of Practice	15,000					
Reduction in other income areas (S106 contribution income, Follaton room hire, pannier market income and Leisure third party income)	95,000					
Specialist resource - Waste and Cleansing options review and delivery reverse a one-off budget in 16/17	(30,000)					
TOTAL BUDGET PRESSURES	1,215,000	670,000	390,000	410,000	335,000	335,000
Changes to contributions to Earmarked Reserves						
Vehicle Fleet Replacement Reserve	146,000	(197,000)			(13,000)	66,000
Contribution to Land and Development Reserve	50,000					
Contribution to IT Development Reserve	50,000					
Contribution to Sustainable Waste Management Reserve	25,000					
Contribution to Planning Policy and Major Developments Reserve	25,000	25,000	25,000			
Reduce contribution from the Strategic Issues Reserve as the reserve is Nil		7,000				
Transformation Project (T18) - Approved at 11 December 2014 Council <i>Contribution to Strategic Change Reserve to meet pension strain costs</i>	66,000	(75,000)	(150,000)	(60,000)		
Total changes in contributions to Earmarked Reserves	362,000	(240,000)	(125,000)	(60,000)	(13,000)	66,000
SAVINGS AND INCOME GENERATION IDENTIFIED						
	BASE 2017/18 £	Yr1 2018/19 £	Yr2 2019/20 £	Yr3 2020/21 £	Yr4 2021/22 £	Yr 5 2022/23 £
Income from fees and charges	TBA					
Savings from re-procurement of contracts	(695,000)	0	(73,000)	(146,000)	(31,000)	(60,000)
Planning fee income	0	(60,000)				
Income from commercial developments	0	(30,000)	(20,000)			
Budget scouring savings	(55,000)					
Increase in car parking charges (2%)	(37,800)					
Additional car parking income		(50,000)				
Reduced running costs at Follaton and additional rental income	(20,000)					
Income from business rated domestic properties for trade waste collection	(25,000)					
Trade Waste savings - higher income levels	(25,000)					
Review of car parking permits (Overview & Scrutiny Panel 24/11/16)	(10,000)					
Council Tax reduction scheme - 9.85% reduction in Town and Parish Grant	(10,000)	(9,000)	(8,000)			
TOTAL SAVINGS AND INCOME GENERATION	(877,800)	(149,000)	(101,000)	(146,000)	(31,000)	(60,000)

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Line No.	Appendix B - Council Tax is increased by £5 each year	BASE 2017/18 £	Yr1 2018/19 £	Yr 2 2019/20 £	Yr 3 2020/21 £	Yr4 2021/22 £	Yr 5 2022/23 £
No.	Modelling for the financial years 2018/19 onwards						
1	Base budget brought forward	8,751,722	8,346,074	8,379,281	8,374,650	8,515,302	8,787,889
2	Budget pressures (as per Appendix A)	1,215,000	670,000	390,000	410,000	335,000	335,000
3	Savings already identified (as per Appendix A)	(877,800)	(149,000)	(101,000)	(146,000)	(31,000)	(60,000)
4	Reverse T18 contributions to reserves						
5	Reduce New Homes Bonus contribution from £969,126 to £500,000 for years 2016/17 to 2019/20						
6	Changes in contributions to Earmarked Reserves (App A)	362,000	(240,000)	(125,000)	(60,000)	(13,000)	66,000
7							
8	Reversal of budget surplus in 2017/18	(767,995)					
	Use of Reserves to close 2017/18 Budget gap						
9	Transfer from Budget Surplus Contingency Earmarked Reserve	(287,273)	287,273				
10	Transfer from New Homes Bonus Earmarked Reserve	(49,581)	49,581				
11	Projected Net Expenditure:	8,346,074	8,963,928	8,543,281	8,578,650	8,806,302	9,128,889
	Funded By:-						
12	Council Tax income - Modelling a £5 increase each year	5,809,541	6,068,628	6,332,215	6,600,302	6,872,889	7,149,976
13	Collection Fund Surplus	143,000	100,000	90,000	90,000	90,000	90,000
14	Revenue Support Grant	245,393	0	0	0	0	0
15	Localised Business Rates	1,764,799	1,858,767	1,524,984	1,525,000	1,525,000	1,525,000
	Pooling Gain		100,000	100,000	100,000	100,000	100,000
16	Rural Services Delivery Grant	327,451	251,886	327,451	200,000	200,000	200,000
17	Transition Grant	55,890	0	0	0	0	0
18	Total Projected Funding Sources	8,346,074	8,379,281	8,374,650	8,515,302	8,787,889	9,064,976
	Budget (surplus)/ gap per year						
19	(Projected Expenditure line 11 - Projected Funding line 18)	0	584,647	168,631	63,348	18,413	63,913
	Actual Predicted Cumulative Budget Gap	0	584,647	753,278	816,627	835,040	898,953

Modelling Assumptions:	<i>An assumption of an additional 450 Band D equivalent properties per year has been included in the TaxBase and modelling above for 2018/19 onwards</i>					
Council Tax (Band D) (Modelling a £5 a year increase)	155.42	160.42	165.42	170.42	175.42	180.42
Council TaxBase	37,379.62	37,829.62	38,279.62	38,729.62	39,179.62	39,629.62

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EARMARKED AND UNEARMARKED RESERVES

1.1 The Council's Net Budget is £8.7 million in 2017/18. It is still recommended to retain the same policy of maintaining a minimum level of Unearmarked Reserves of £1.5 million.

1.2 Our financial strategy recognises the need to maintain un-earmarked revenue reserves to provide stability for both medium and longer term planning and to provide a contingency against unforeseen events. In setting the minimum level at £1.5 million, the following have been taken into account:

- The size of the authority
- The volatility of some income and expenditure budgets due to a dependency on the weather, tourism and state of the economy
- The risks faced by the Council with regard to funding unforeseen events
- Uncertainty over future Government funding and Business Rates
- Uncertainty over future New Homes Bonus allocations

1.3 The Unearmarked Reserves (General Fund) balance of £1.8 million stands above the minimum balance of £1.5 million and acts as a safeguard against unforeseen financial pressures.

1.4 **Specific Earmarked Reserves** - The level and commitments for each reserve are kept under review each year to make sure the committed balance is adequate for its purpose (in accordance with LLAP Bulletin 99, a guide on 'Reserves' from the Chartered Institute of Public Finance).

1.5 A schedule of Earmarked Reserves for 16/17 is shown below. The Council has Earmarked Reserves of £13.1 million, including Salcombe Harbour Reserves of £371,000.

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

2016/17	Balance at 31 March 2016	Transfers Out	Transfers In	Balance at 31 March 2017
EARMARKED RESERVES	£000	£000	£000	£000
General Fund				
Affordable Housing	540	-	230	770
Community Parks & Open Spaces	98	(17)	16	97
Pension Fund Strain	-	(99)	99	-
Repairs and Maintenance	420	(72)	55	403
Members Sustainable Community	45	(4)	-	41
Marine Infrastructure Reserve	47	-	47	94
Land and Development	226	(76)	55	205
Ferry Repairs and Renewals	313	-	87	400
Economic Initiatives	98	(21)	-	77
Vehicles and Plant Renewals	318	(370)	541	489
Pay and Display Equipment	61	-	20	81
On-Street Parking	44	-	-	44

Print Equipment	8	(8)	-	-
ICT Development	195	(81)	8	122
Sustainable Waste Management	3	-	-	3
District Elections	48	-	10	58
Beach Safety	14	-	-	14
Planning Policy & Major Developments	331	(184)	-	147
Building Control	395	(31)	72	436
Section106 Agreements (no conditions)	38	-	-	38
Revenue Grants	368	(130)	78	316
Capital Programme	1,089	(300)	327	1,116
New Homes Bonus	480	(2,086)	2,080	474
Renovation Grant Reserve	7	-	-	7
Business Rates Retention	9,916	(5,389)	-	4,527
T18 Investment Reserve	70	(70)	-	-
Homelessness Prevention Reserve	25	-	-	25
Strategic Change	-	(219)	219	-
16/17 Budget Surplus Contingency	-	(209)	768	559
Innovation Fund (Invest to Earn)	-	(498)	777	279
Community Housing Fund	-	-	1,881	1,881
Sub Total	15,197	(9,864)	7,370	12,703
Specific Reserves – Salcombe Harbour				
Pontoons	68	-	62	130
Harbour Renewals	58	(8)	35	85
General Reserve	140	(30)	46	156
Sub Total	266	(38)	143	371
TOTAL EARMARKED REVENUE RESERVES	15,463	(9,902)	7,513	13,074

16/17 Budget Surplus Contingency – This reserve was created as part of the 2016/17 Budget setting process. The balance of £559,000 has been fully committed to fund the 2017/18 budget gap, the LACC set up costs and transitional resources.

Innovation Fund (Invest to Earn) – This fund has a remaining balance of £279,000 which has been earmarked in 2017/18, mainly for Admiral Court, Dartmouth.

Community Housing Fund – This reserve was set up to hold the Community Housing Fund Grant. We are working on developing a community housing initiative, which is designed to help local residents to determine and deliver appropriate and affordable housing for their communities.

Business Rates Retention Scheme - The business rates reserve covers any possible funding issues from the new accounting arrangements and smoothes volatility of business rates income due to appeals.

New Homes Bonus – This reserve was established to show how New Homes Bonus funding has been used on an annual basis.

Strategic Change Reserve (T18) – This reserve was set up to finance one off investments under the Council’s Transformation Programme that are required for development or the release of ongoing efficiencies.

Affordable Housing – This reserve helps to support the funding of affordable housing.

Vehicles and Plant Renewals - This reserve is used to purchase vehicles and heavy plant to maintain a modern and efficient Council fleet, and to ensure Contract conditions are met.

Planning, Policy and Major Developments - This was set up to help smooth out annual expenditure on review and preparation of the local plan. It has developed to help deal with costs associated with the Sherford development, planning policies and planning related activities.

Capital Programme – This reserve helps to support the funding of the Capital Programme.

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Report to:	Executive
Date:	20 July 2017
Title:	Commercial Property Acquisition Strategy
Portfolio Area:	Cllr Keith Wingate, Business Development, Strategy & Commissioning
Wards Affected:	All
Relevant Scrutiny Committee:	Overview & Scrutiny Panel
Approval and clearance obtained:	Yes
Urgent Decision:	No
Date next steps can be taken:	After Full Council on 27 July 2017
Authors:	'Invest to Earn' Working Group: Cllrs Foss, Birch, Hopwood, Pennington & Wright. Darren Arulvasagam, Group Manager, Business Development <u>Darren.Arulvasagam@swdevon.gov.uk</u>

Recommendations:

That the Executive RECOMMEND to Council to:

- 1. APPROVE & IMPLEMENT the proposed commercial property acquisition strategy as detailed in Appendix A;**
- 2. AGREE that officers conclude an appropriate procurement process to commission property experts to work on behalf of the Council in relation to the proposed commercial property acquisition strategy;**
- 3. DELEGATE individual commercial property portfolio acquisition and disposal decisions to the Head of Paid Service, in consultation with the Council's S151 officer, the Leader and the appointed Chair of the 'Invest to Earn' working group; and**
- 4. BORROW funds on fixed rate terms from the appropriate source in order to pursue this strategy. To fulfil the first tranche of the proposed strategy, this would require borrowing of up to £26.75m (£25m plus acquisition costs of 7%).**

1.0 Executive Summary

- 1.1** On 9th March 2017, the Executive noted the proposed commercial property investment strategy and direction of travel. It also approved the allocation of resources to commission specialist advice in order to develop a full business case. This report sets out that business case based on the advice received.

- 1.2 The Council is facing a budget gap for 2018/19 of £0.585m as detailed in the Medium Term Financial Strategy. Action is required to close this gap.
- 1.3 The objective of this proposed strategy is to generate revenue streams to contribute to the financial sustainability of the Council, enabling it to continue to deliver, and where possible improve, frontline services in line with the Council's adopted strategy & objectives.
- 1.4 Additionally, regeneration efforts within the District can be funded from revenue generated by the implementation of the strategy. It will be necessary for officers to continuously review on a case by case basis which areas within the District can benefit from the revenue generated from the acquisition of properties.
- 1.5 Revenue generation would 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. Income is designed to contribute closing the Council's predicted budget shortfall from 2018/19.
- 1.6 If ultimately approved in this form, the strategy could see the Council expanding its commercial property portfolio utilising a maximum budget of up to £75m plus an additional 7% of that sum in acquisition costs. Any property acquired would conform to the proposed strategy detailed in Appendix A. This report seeks approval to the first tranche of £25m plus the additional 7% acquisition costs.
- 1.7 It is important to note that the elected 'Invest to Earn' working group would consider each and every acquisition on its own merits. Building a balanced property portfolio conforming to the proposed strategy could take up to two years from now. If approved, the Council will implement this strategy with the aid of commissioned property experts, whose costs are included within the financial projections.
- 1.8 Portfolio performance will be closely monitored by the 'Invest to Earn' working group and the Council's Senior Leadership Team. It is also proposed that portfolio performance will be reported to the Council's Audit Committee on a quarterly basis.
- 1.9 The proposed strategy and/or implementation could be amended or ceased at any point prior to the full acquisition budget being expended, if Members determine that market conditions deteriorate sufficiently to make the strategy financially unattractive. The 'Invest to Earn' working group retain the right to review the acquisition strategy at any time.
- 1.10 The Council will not be able to fund its forecast budget deficit through normal efficiency savings or transformation alone, nor is continuous service reduction a realistic option, therefore other methods of income generation must be considered as an alternative strategy.

- 1.11 This Property Acquisition Strategy identifies an alternative key source of income that could potentially deliver a major element of the required savings. The strategy is being recommended as a key deliverer of income: it must be understood that its principal purpose is not to drive regeneration in South Hams, rather as an income producing fund identifying properties from anywhere in the country that will deliver the required returns (which can be used to help take forward regeneration and other Council priorities).
- 1.12 It must be noted that alternative efficiencies and sources of income still need to be identified to close the Council's budget gap are two of these are on the Executive agenda at this meeting. 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.
- 1.13 Property acquisition is a dynamic area which generally does not sit well with traditional officer, committee, Council meeting schedules and structures. Decisions often need to be made quickly otherwise opportunities can be missed. Research shows that where Councils undertake this activity, there is an increasing level of delegation, enabling them to move quickly when properties come to the market. This report recommends that decisions are delegated to the head of paid service, in line with the strategy detailed in Appendix A.
- 1.14 A report entitled "Governance & Risk Aspects of the Proposed Commercial Property Acquisition Strategy" is due to be presented to Audit Committee, July 20th 2017. The report details the governance and risk aspects of this proposal and also highlights other local authorities which are also pursuing similar strategies.

2. Background

- 1.1. During 2015/16 the Council reviewed its priorities and Members agreed that their top priority was to achieve financial sustainability. The Members also stated that they did not want to see a reduction in the level and quality of the services delivered to their communities.
- 1.2. The Council's adopted Medium Term Financial Position (MTFP) is based on a financial forecast over a rolling five year timeframe to 2022/23. The following table illustrates the forecasted budget gap from 2018/19 onwards as reported to Executive on this agenda (20th July 2017):

	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	£	£	£	£	£	£
*Cumulative Budget Deficit	584,647	753,278	816,626	835,040	898,953	898,953

*Cumulative position is for illustrative purposes only. In reality, Councils must submit a balanced budget each year.

- 2.4. The above table shows that the budget gap facing the Council for 2018/19 is £0.585m. This means that over the period to 2022/23 the above amounts need to be found by way of savings or additional income generation.

- 2.5. A variety of investment instruments are available to the Local Authority market. These were discussed in the March 9th report entitled "Investment in Commercial Property" and are not repeated here. Please refer to that report for more information or to understand why pursuing a commercial property acquisition strategy is being proposed above other options and how the strategy being proposed has been justified. This strategy and direction of travel was noted by Members at that time.
- 2.6. To achieve financial sustainability, based on the current MTFP, the Council needs to generate or save c.£0.585m pa. Assuming a target gross initial yield of 5.75% and taking borrowing over 40 years at current Public Works Loan Board (PWLB) rates, the Council would need to budget £80.25m to generate the £0.585m required. Further detail about this can be found in Appendix A and B.

3.0 Commercial Property Acquisition

- 3.1 Members recently approved the formation of a Member 'Invest to Earn' working group who have an approved terms of reference. This group have worked with officers to formulate the Commercial Property Acquisition Strategy and Business Plan shown at Appendix A and B.
- 3.2 The portfolio objective is to generate recurrent revenue streams to contribute to the financial sustainability of the Council, enabling it to continue to deliver frontline services in line with the Council's adopted strategy & objectives.
- 3.3 Additionally, regeneration efforts within the District can be funded from revenue generated by the implementation of the strategy. It will be necessary for officers to continuously review on a case by case basis which areas within the District can benefit from the revenue generated from the acquisition of properties.
- 3.4 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 24 months. It is proposed that this spend is split into tranches, with the first tranche of spend totalling £25m plus acquisition costs. The remaining £50m would be requested in future tranches, once Members are satisfied with the success of the strategy.
- 3.5 The elected 'Invest to Earn' working group would consider each and every acquisition on its own merits and to build a balanced property portfolio conforming to the proposed strategy could take up to two years from now.
- 3.6 This report recommends that decisions are delegated to the head of paid service, in line with the strategy detailed in Appendix A.
- 3.7 Portfolio performance will be closely monitored by the 'Invest to Earn' working group and the Council's Senior Leadership Team. It

is also proposed that portfolio performance will be reported to the Council's Audit Committee on a quarterly basis.

- 3.8 The proposed strategy and/or implementation could be amended or ceased at any point prior to the full acquisition budget being expended, if Members determine that market conditions have deteriorated sufficiently to make the strategy financially unattractive. The 'Invest to Earn' working group retain the right to review the acquisition strategy at any time.
- 3.9 Acquisitions will be made using predominantly prudential borrowing or any other unallocated or available Council reserve or capital receipt. It is envisaged that borrowing will be undertaken, over a maximum 40 year term, but ultimately this is at the discretion of the s151 officer in line with the Council's adopted Treasury Management Strategy and Affordable Borrowing Limits.
- 3.10 The portfolio will target a gross initial yield of 5.75%. It is proposed that the strategy will be reviewed on an annual basis.
- 3.11 Following the Finance & Investment principles workshop, held on December 7th 2016 and January 5th 2017, a Member survey was undertaken to understand Member appetite for acquiring a commercial property portfolio. 13 elected Members participated in the survey. Of those:
 - 3.11.1 92% said the Council should acquire a commercial property portfolio to sustain the Council's revenue position
 - 3.11.2 77% said investment should be made into a mixed estate (no sector preferred) but with the decision based on availability and acceptable risk
 - 3.11.3 92% said it was acceptable or desirable to acquire properties outside of the district
 - 3.11.4 92% said it was acceptable for the Council to take on borrowing to acquire such an estate
- 3.12 Initially, it is proposed that the Council appoint property experts to work on its behalf to source acquisition opportunities.
- 3.13 Legal counsel opinion along with specialist legal and treasury management advice has been obtained. This confirmed that the Council has the legal powers to pursue its intended strategy, purchasing properties in and outside of the district, utilising prudential borrowing and holding such acquisitions on its balance sheet.
- 3.14 A report entitled "Governance & Risk Aspects of the Proposed Commercial Property Acquisition Strategy" is due to be presented to Audit Committee, July 20th 2017. The report details the governance and risk aspects of this proposal and also highlights other local authorities which are also pursuing similar strategies.
- 4.0 **Options available and consideration of risk**
- 4.1. Members could opt to follow, amend or reject the report recommendations.

- 4.2. The overall acquisition quantum and strategy is designed to provide sufficient income to cover the current predicted budget gap in its entirety. This approach has been assessed as part of the treasury management advice procured (affordability requirements) and found to be sound. If the total budget were to be reduced, the income generated would not be sufficient to create financial sustainability.
- 4.3. If Members chose to vary the target portfolio yield, overall budget, or funding source, different financial outcomes would be achieved.
- 4.4. There are risks that should not be discounted:
 - 4.4.1. **Market Forces** - fluctuations in demand and supply of the individual market and the wider economy will see the value of the investment and the income rise and fall, the council may not recoup the original amount invested in full. To mitigate this risk, criteria to diversify for purchase can be adopted and due diligence will be followed for all transactions
 - 4.4.2. **Liquidity** - The process of buying and selling property, in relation to some other forms of investment, is complex and can result in transactional delay and uncertainty which carries risk from market shift, abortive transactional costs and inability to realise "sale" capital quickly. This risk can be managed and improved through good portfolio management. The Council will partner with external experts to manage the acquired portfolio, as in-house skills are limited and at capacity. It is proposed that the Council takes a significant sum in borrowing to finance the acquisition of a commercial property portfolio
 - 4.4.3. **Opportunity** - The availability of asset stock is generally limited; there will be times where lack of or lost opportunities through negotiation and competition will frustrate the process. This is often exacerbated by a general lack of transparency and openness in the market creating barriers to entry. To counter this and to offset the lack of internal skills, suitably qualified property experts will be commissioned to seek out as many appropriate opportunities as possible, build relationships and communicate to the market the Council's requirement and ability to perform
- 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. Capital value fluctuations, up or down, have not been factored into the financial calculations. A drop in capital value would not immediately affect the Council's cash flow position. It would however affect the yield, but the impact of this would be only be felt if a rent review was due. The purpose of developing a balanced, diversified portfolio is to mitigate against market fluctuations affecting a single sector, geographic area or tenant. A reduced capital value may also hinder or delay the disposal of an asset, however it is not envisaged that properties will be traded within the first 5 – 7 years. Furthermore, PWLB lending is not

secured against property, so the Council could opt to lose money on one property if the overall capital value of the portfolio is greater than the lost capital value.

- 4.7. The commercial property market has survived the EU referendum result relatively well with only modest falls in capital values coming through and a small upturn in capital values in October suggesting an overall dissipation of the Brexit effect. Despite the effect on capital values, total returns (capital growth and rental income) rose by 2.9% in the twelve months to September 2016 suggesting sector stability and resilience in difficult times. The table below shows the current yields for specific commercial property sectors:

Sector	Yield
Prime shops	4.25%
Good Secondary shops	6.75%
Prime Shopping Centres	4.65%
Secondary Shopping Centres	7.75%
Retail parks: Prime - open user	5.50%
Prime offices: Major Provincial	5.25%
Offices: secondary	9.00%
Prime Industrial Estates	5.25%
Secondary Industrial Estates	8.25%

(source: CBRE Nov 2016)

- 4.8. Analysts estimate that commercial property will grow, on average, by 2% per annum over the short to medium term. Over the long term, 10 years plus, the property market is expected to offer good capital growth, in addition to yields in excess of other investment opportunities open to the Council.
- 4.9. 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.
- 4.10. The strategy and business plan allow for the costs needed to acquire and manage the portfolio, e.g. acquisition, disposal, maintenance and management.
- 4.11. The target yield, less costs, will comfortably outperform the current investment returns achieved by the Council – 0.5% is forecast in the MTFP as an average for 2017/18 rising to 1.0% by 2021/22.
- 4.12. A breakeven position, where the loan interest, maintenance and management are covered by the rental income earned by the portfolio is achieved with a portfolio gross yield of 4.46% in year one. This breakeven point will vary depending on the financial treatment chosen to provide for the borrowing obtained. 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. In the recent past, 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. This policy has been maintained in the knowledge that putting security before liquidity or yield impacts on the income that can be generated. A revised Treasury Management Strategy will be brought to Members at the July Council meeting for approval if this report's recommendations are approved to amend the current investment policy approach.

5.0 Proposed Way Forward

- 5.1 It is proposed that if the Executive approve this report's recommendations, a property expert will be commissioned to work on behalf of the Council in relation to this proposed strategy. As and when suitable properties have been sourced, the 'Invest to Earn' group will convene to appraise the available options and recommend action to the delegated parties (as described in Appendix A) as appropriate.

6.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>Advice on the relevant powers and appropriate vehicles for delivering these proposals has been sought from external specialist advisers and legal counsel. Legal counsel opinion has been obtained (31st May 2017) setting out the various powers available to the Council, which supports the Council's proposed strategy as described in this report.</p> <p>This proposal is consistent with the Council's powers to borrow and invest under the Local Government Act 2003 and section 1 Localism Act 2011 (the general power of competence) and / or section 120 Local Government Act 1972 (power to acquire land).</p> <p>The Council is empowered to buy pursuant to section 120 of the Local Government Act 1972. Section 1 of the Local Government Act 2003 provides a power to the Council to borrow for the purposes of any enactment.</p> <p>Disposal of any of the acquired properties will have to be undertaken in accordance with the provisions of section 123 Local Government Act 1972.</p> <p>In order to lawfully implement the acquisition strategy, each proposal (including the funding strategy for purchases) should be reviewed as part of a decision to purchase or sell, and tested for value for money, and regulatory compliance.</p> <p>There is an overriding duty toward prudent management of risk, and officers, including the Council's section 151 officer owe a fiduciary duty in relation to given transactions.</p> <p>Given the limited nature of the proposals, the current levels do not suggest that the Council is engaged in commercial work, though this matter would need to be reviewed as this strategy develops. Concluding</p>

		that it is commercial work would necessitate conducting business through a separate company.
Financial	Y	<p>The Council will purchase assets directly on balance sheet and therefore the direct costs of purchase and acquisition can be capitalised. This will include costs such as stamp duty, legal fees, due diligence and agency fees.</p> <p>When individual purchase decisions are made, a bespoke business case will be produced alongside a package of due diligence information to support the decision making process. The delegated authorities approving a purchase will need to be satisfied that any proposed acquisition not only delivers best value but also meets the criteria contained within the Commercial Property Acquisition Strategy and has proper regard to the following:</p> <ul style="list-style-type: none"> • The relevant capital and revenue costs and income resulting from the acquisition over the whole life of the asset. • The extent to which the acquisition is expected to deliver a secure ongoing income stream. • The level of expected return on the acquisition. • The payback period of the capital acquisition. <p>Part of the business case for each commercial property acquisition will be an assessment of the Internal Rate of Return (IRR) calculation.</p> <p>Any PWLB borrowing to fund the acquisition of commercial property is not secured on the property acquired.</p> <p>PWLB borrowing rates are fixed for the term of the loan. Individual borrowing decisions will be taken prudently in line with the Council's treasury management strategy and by officers within that function. The Council will not exceed its affordable borrowing limit to implement this strategy.</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. If this report's recommendations are approved, a revised Treasury Management Strategy will be presented to Council before this strategy is implemented.</p> <p>If successful, the proposed commercial property acquisition strategy has the potential to make a significant contribution to the current predicted cumulative budget gap for the Council.</p> <p>If a portfolio yield of 5.75% is achieved, the financial model suggests that a budget of £80.25m could generate a surplus of between £0.461m to £0.891m per annum depending on the treasury management strategy employed in order to provide for Minimum Revenue Provision (MRP). An explanation of MRP can be found in Appendix C of this report. This is net of forecast administration and maintenance (sinking fund) costs. Using the same basis, a £25m investment could generate a surplus of between £0.15m to £0.3m per annum. Further financial considerations are discussed in Appendix B.</p> <p>Investment interest income is currently reported quarterly to SLT and Executive.</p>
Risk	Y	<p>The security risk is that the capital value of an acquired property may fall. 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 yield risk is that the income derived from the acquired assets will alter</p>

		<p>during the life of the asset. This will be actively managed; with property management experts commissioned to manage the assets and their 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 / redevelopment, limiting the risk to the Council's portfolio.</p> <p>The Council already owns and operates a property estate valued at c.£75m. It therefore has experience of managing such an estate and can act as an intelligent client to fulfil the proposed strategy implementation, with the aid of commissioned property experts. The cost of these experts has been included in the financial consideration information shown in Appendix B.</p>
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 Acquisition Strategy & Criteria

Appendix B - Further Financial Considerations

Appendix C - Explanation of Minimum Revenue Provision (MRP)

Background Papers:

- Investment in Commercial Property, presented to Executive, March 9th 2017
- MTFP, presented to Executive July 20th 2017
- Revenue & Capital Budget Proposals Report – 2017/18, presented to Council, February 9th 2017
- Annual treasury strategy in advance of the year (Audit 15/03/16 – AC32)
- Governance & Risk Aspects of the Proposed Commercial Property Acquisition Strategy, due to be presented to Audit Committee, July 20th 2017

Appendix A – SHDC Commercial Property Acquisition Strategy & Criteria

Overall Objective:

The objective of this strategy is to increase revenue streams to contribute to the financial sustainability of Council, enabling the Council to continue to deliver and/or improve frontline services.

Additionally, regeneration efforts within the District can be funded from revenue generated by the implementation of the strategy. It will be necessary for officers to continuously review on a case by case basis which areas within the District can benefit from the revenue generated from the acquisition of properties.

The revenue will be earned 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

- Acquire commercial properties to provide rental income with a minimum gross yield of 5.75% 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, industrial or alternative (e.g. health, energy/renewables)
- Properties will be acquired to hold rather than to trade
- The Council will operate independently - The Council is not reliant on another Council to progress with this strategy
- The Council will acquire 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). These services are to be commissioned via a procurement exercise.
- Management of the acquired assets will be outsourced to property professionals. The cost of this management will be included within the target return
- The legal work required to complete transactions is to be outsourced
- Specialists 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 acquiring 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 return on capital used to acquire properties in a careful and controlled manner, with specific analysis of risk carried out in the 'due diligence' stage prior to the completion of each purchase
- Once the budget is fully exhausted, should the portfolio yield drop below 5.75%, a review of the strategy will be triggered
- The portfolio of properties being acquired should be diversified in order to spread risks via a balanced portfolio, such diversification principally being across geographical locations and the use type of properties
- The portfolio will be relatively risk-averse, when appropriate, limiting fresh acquisitions to properties with minimum unexpired lease terms of five years at the date of acquisition, and tenants of strong financial standing

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

Location:

- Neutral – wherever opportunities arise in order to acquire good properties which deliver the minimum prescribed yield, that are deemed an acceptable risk
- In order to not over expose the Council to one particular geographical area, properties outside of the Council's area will be favoured
- As the portfolio gets larger, a mix of locations will be sought to create a balanced portfolio
- A maximum exposure of 25% per location is sought once the budget is exhausted (excluding the existing estate at the time of this strategy being adopted)
- 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. Consideration will also be given to possible exit-strategies for each asset acquired, e.g. potential re-development

Sector:

- Neutral – Wherever opportunities arise in order to acquire good 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 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 budget is exhausted
- The final decision over the appropriateness of any tenant would be reviewed prior to 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 or the property is located in a prime location), single-let properties are not favoured
- 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)
- Properties are to be 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 capital and revenue

Yield:

- Per lot, a minimum initial yield of 4.0% will be sought, before management, maintenance and funding costs
- An initial 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 initial yield of 5.75%

Cost:

- Individual lot sizes of up to £15m

- Larger lot sizes are favoured - smaller size properties have disproportionately higher management costs and expose the Council to greater property void risks
- All acquisitions 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 the delegated authorities or 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 40 year term
- The Council will opt to borrow monies on the most commercially advantageous terms, seeking advice from its retained Treasury Management Advisors
- Ultimately, all borrowing is at the discretion of the S151 officer in line with the Council's adopted Treasury Management Strategy and Authorised Borrowing Limits

Exit Strategy:

- The Council intends to hold for the short to medium term (e.g a minimum 7 year period). It is not looking to actively trade commercial property within this timeframe
- 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(s)
- It is important to note that there would be early repayment charges if the loan(s) used to acquire 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 capital 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

Purchases must conform to the adopted commercial property acquisition strategy. Any deviation from the agreed strategy (beyond the flexibility parameters) will require Council approval.

Delegated authority to be given to the Head of Paid Service, in consultation with the 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 accord with the agreed strategy will be considered.

The 'Invest to Earn' group will determine its chair and will receive details of potential purchases from the Assets CoP and/or Group Manager, Business Development. The group will vote on whether to bring a potential purchase decision to the Head of Paid Service.

Running / Review

Assets are to be managed by a contracted third party initially, with overview by the 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 and the Council's Senior Leadership Team.

Disposal

Once acquired, decisions relating to the ownership of any acquired properties will be dealt with in line with the Council's constituted scheme of delegation

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

Appendix B – Further Financial Considerations

Based on information available at the time of writing (11th July 2017), SHDC require c£0.585m of revenue income and/or savings per annum in order to be financially sustainable, in line with its published Medium Term Financial Position (MTFP). Below is a breakdown of how properties valued at £75m plus acquisition costs can derive c£0.89m of revenue after costs to support the financial sustainability of the Council. The proceeds from spends of £25m and £50m are also shown.

	£25m	£50m	£75m
Capital Investment (£)	25,000,000	50,000,000	75,000,000
Acquisition fees @ 7%	1,750,000	3,500,000	5,250,000
Total Borrowing / Expenditure (£)	26,750,000	53,500,000	80,250,000

Borrowing			
Term (Years)	40	40	40
Maturity PWLB Loan Interest Rate %	2.37	2.37	2.37
Interest Payments pa (£)	633,975	1,267,950	1,901,925

Profit & Loss Example (Income less Costs)			
Target Portfolio Yield %	5.75	5.75	5.75
Rent Receivable (Yield x Investment) pa	1,437,500	2,875,000	4,312,500
Interest Payments pa	(633,975)	(1,267,950)	(1,901,925)
Management costs @ 3% of Rent Receivable	(43,125)	(86,250)	(129,375)
Sinking fund @ 5% of Rent Receivable	(71,875)	(143,750)	(215,625)
Surplus Generated (before MRP*) pa	688,525	1,377,050	2,065,575

Option 1 - Straight Line MRP* Treatment			
Surplus Generated (before MRP*) pa	688,525	1,377,050	2,065,575
Minimum Revenue Provision (MRP*)	(535,000)	(1,070,000)	(1,605,000)
Surplus (after Straight Line MRP*) pa	153,525	307,050	460,575

Option 2 - Annuity MRP* Treatment			
Surplus Generated (before MRP*) pa	688,525	1,377,050	2,065,575
Annuity MRP* Treatment	(391,615)	(783,230)	(1,174,845)
Surplus (After Annuity MRP*) pa	296,910	593,820	890,730

*Minimum Revenue Provision (MRP), the provision for the repayment of borrowing, is explained in more detail in Appendix C of this report.

Sensitivity analysis in change in gross rental income

The business plan identifies a target gross rental yield of 5.75%, which if achieved would generate £2.065m per annum in income after costs. The table below shows the impact a change in the gross income yield could have on the annual income estimates:

Sensitivity Analysis	£25m	£50m	£75m
Change in income yield 0.5%	£ 125,000	£ 250,000	£ 375,000
Change in income yield 1.0%	£ 250,000	£ 500,000	£ 750,000
Change in income yield 1.5%	£ 375,000	£ 750,000	£ 1,125,000
Change in income yield 2.0%	£ 500,000	£ 1,000,000	£ 1,500,000
Change in income yield 2.5%	£ 625,000	£ 1,250,000	£ 1,875,000

For example, if the income yield were to increase from 5.75% to 6.75% (an increase of 1%), this would generate additional income of £250,000 per annum on a £25m portfolio, £750,000 per annum on a £75m portfolio. A reduction in yield would have the opposite effect.

Sensitivity Analysis on the Surplus Generated

A sensitivity scenario analysis is shown in the table below to illustrate the effect that the yield has on the return achievable from the portfolio – assuming properties are acquired to value of £75m or a spend of £50m or £25m. This highlights that the portfolio needs active management and care in choosing the right acquisitions to ensure the minimum yield is achieved.

All of the figures below are based on the 40 year annuity MRP treatment (option 2) shown above, providing either £1.175m (for £75m spend), £0.783m (for £50m spend) or £0.392m (for £25m spend) of MRP in year one. The provision for the repayment of borrowing (level of MRP) would increase year on year, as described in Appendix C of this report.

Based on Annuity Method MRP

Portfolio Size	25,000,000	50,000,000	75,000,000
<i>Projected Annual Surplus @ 5.75%</i>	296,910	593,820	890,730
Projected Annual Deficit @ 4.00%	(105,590)	(211,180)	(316,770)
Projected Annual Surplus @ 4.50%	9,410	18,820	28,230
Projected Annual Surplus @ 5.00%	124,410	248,820	373,230
Projected Annual Surplus @ 5.50%	239,410	478,820	718,230
Projected Annual Surplus @ 6.00%	354,410	708,820	1,063,230
Projected Annual Surplus @ 5.28%	188,810	377,620	566,430
<i>Breakeven: Projected Annual Surplus @ 4.46%</i>	210	420	630

Breakeven

A minimum yield of 4.46% is required in order for a £75m spend to breakeven in year one, i.e. cover the cost of loan repayments, the annuity method Minimum Revenue Provision, the sinking fund for maintenance and the expected management / administration costs.

Indicative Borrowing Financial Implications

The Council will consider a number of factors when assessing how much the Council will borrow to finance the commercial property strategy. It is likely that the majority of the commercial property acquisition strategy will be funded via Public Works Loan Board (PWLB) borrowing.

When assessing affordability, the Council will consider the annual cost of financing the acquisitions, the income generated, the costs of running and maintaining the property and the factors that could potentially affect the net income to the Council (which is needed to repay the financing costs of the property acquired).

Council officers who have responsibility for treasury management will, in consultation with the S151 officer, determine the most appropriate product(s) for the Council's borrowing requirements. There are a number of options available to them and they will be advised by the Council's treasury management advisors and guided by the Council's adopted treasury management strategy, the Council's affordable borrowing limit and CIPFA regulations.

Percentage Increase in Council Tax

It is clear that a significant reduction in rental income (a yield below 4.46%) would result in a revenue budget deficit being created. If the Council did not have the available budget surplus to cover this additional cost, it may be forced to cut expenditure or increase Council tax to cover the deficit. The table below shows the impact on Council Tax and the additional income that a % increase in Council Tax generates (using the existing Council Tax base).

Impact on Council Tax	£
Increase of 1.0%	£ 58,000
Increase of 2.0%	£ 116,000
Increase of 3.0%	£ 174,000
Increase of 4.0%	£ 232,000
Increase of 5.0%	£ 290,000
Increase of 6.0%	£ 348,000
Increase of 7.0%	£ 406,000
Increase of 8.0%	£ 464,000
Increase of 9.0%	£ 522,000

The business case for property acquisition allows for reserves to be built up in a sinking fund to cover any shortfall in rent or maintenance cost for which the Council would be liable. The strategy that is to be adopted by the Council addresses the risk that changes in rental income could affect overall portfolio profitability by virtue of being spread across asset types, classes and geographies. Different tenant classes and lot sizes and indeed borrowing terms will mean that a loss on one asset could well be compensated by a profit on another asset. It is also important to note that the strategy has excluded any profit or loss generated by a change in capital value.

Summary

If a portfolio yield of 5.75% is achieved, the above figures show that property acquisition budget of £75m could generate a surplus of between £0.46m to £0.89m per annum depending on the treasury management strategy employed and the accounting Minimum Revenue Provision (MRP). This is net

of forecast administration and maintenance (sinking fund) costs. Using the same basis, a £25m budget could generate a surplus of between £0.15m to £0.3m per annum, whilst a budget of £50m could generate a surplus of £0.31m - £0.59m.

As part of the Annual Treasury Management Strategy setting process, Members have the opportunity to set the Council's policy for dealing with MRP (Minimum Revenue Provision). There are various methods and periods which can be employed and members will be able to determine the most prudent method of provision. The accounting method chosen will have a fundamental impact on the surplus that can be generated from this strategy. *MRP is further explained in Appendix C.*

Appendix C - Explanation of Minimum Revenue Provision (MRP)

What is MRP?

Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans). This is an annual revenue expense in a Council's budget.

Who approves the Council's MRP policy?

The Guidance from the Department of Communities and Local Government (DCLG) recommends the preparation of an annual statement of policy on making MRP, which has to be submitted to Council for approval. This is part of a Council's Treasury Management Strategy.

What different methods are there for MRP?

i) Equal Instalment Asset Life Method (i.e. over 50 years expected asset life of asset acquired)

One method of calculating MRP is on the Equal Instalments of Principal (the Asset Life method). In this instance, MRP is an equal annual charge every year which is calculated by dividing the original amount of borrowing by the useful life of the asset.

An example is therefore, if an amount of £26.75 million is borrowed for the first tranche, the calculation of MRP is £26,750,000 divided by 50 years (asset life) = annual MRP charge of £535,000. (This is shown in Option 1 in Appendix B).

So every year the Council makes a provision in its revenue budget to repay the borrowing of £535,000 annually (the same amount for each of the 50 years)

ii) Annuity Method (over the 40 years of the borrowing term)

Another method the Council could use is the Annuity Method for calculating MRP. Under this calculation, the revenue budget bears an equal annual charge (for principal and interest) over the life of the asset by taking into account the time value of money. Since MRP only relates to the 'principal' element, the amount of provision made annually gradually increases during the life of the asset. The interest rate used in annuity calculations will be referenced to prevailing average PWLB rates.

Under this example, the MRP charge in Year 1 on a £26.75 million borrowing would be £0.39m, this rises to £0.4m in Year 2, £0.41 in Year 3, £0.42m in Year 4 and £0.43m by Year 5. (This is shown in Option 2, Appendix B).

What's the difference between the two methods for MRP?

The first method (equal instalment) means £535,000 is the revenue charge every year for 50 years.

In the second method (annuity), the payments start off lower e.g. £0.39m and then gradually increase every year for each of the 40 years. So for the first 13 years there is a lower revenue charge using the annuity method, this then becomes higher in the latter years.

The Annuity method could benefit the strategy as it develops as it allows time for revenue income streams to materialise and surpluses to be generated. It more closely reflects the income streams generated from property, which tend to increase over time due to rent reviews. This accounting treatment would not only help close the projected budget gap, but it could also allow the Council to build additional reserves for asset redevelopment, voids, major maintenance or other contingencies in the early years.

Are there other methods for calculating MRP?

Yes. Under the current guidance, Councils have some discretion over how they provide for MRP over the asset life. For example the Council could decide that it would be appropriate to make MRP based upon the rental income received each year, or a percentage thereof, until the debt liability is repaid.

Is a recommendation being made (as part of this report) on the method of MRP for the Council to adopt?

No recommendations have been made on this yet and further advice will be sought on this subject. This will be the subject of a future Council report.

Report to: **Executive**

Date: **20 July 2017**

Title: **Proposal for a Single Council for South Hams and West Devon**

Portfolio Area: **Leader of the Council**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview & Scrutiny Panel

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

Date next steps can be taken: **Council 27 July 2017**
(e.g. referral on of recommendation or implementation of substantive decision)

Author: **Catherine Bowen** Role: **Monitoring Officer**

Contact: **Catherine.Bowen@swdevon.gov.uk**

RECOMMENDATION

That the SH/WD Joint Steering Group RECOMMEND that the Council:

- 1. Agrees in principle to establishing a single second-tier Council for South Hams and West Devon from 1 April 2019;**
- 2. Proceeds to consultation with the public and stakeholders from early August through to the end of September 2017; and**
- 3. Agrees to bring to Council for approval in October 2017, the outcome of the consultation together with the final Proposal for submission to the Secretary of State.**

1. Executive summary

1.1 The Joint Steering Group (JSG) was tasked by South Hams District Council and West Devon Borough Council to consider options to achieve financial sustainability and address the forecast budget deficit for both Councils; one of those options is the formation of a single Council, and the intention of the Proposal is to respond to severe financial public sector constraints, maximise efficiencies and simplify the way that the Councils work, whilst protecting and investing in the services that the Councils provide.

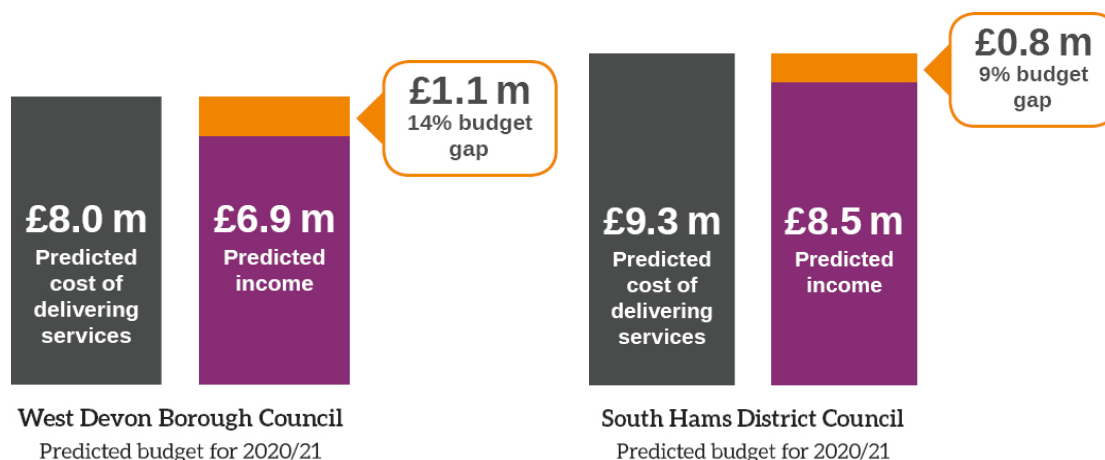
1.2 This report sets out the recommendations of the JSG to:

- proceed in principle with the formation of a single, second tier Council for South Hams and West Devon from 1 April 2019;
- consult with the public and stakeholders for a period from early August through to the end of September 2017; and
- bring a report to the Council in October 2017 with a final proposal for submission to the Secretary of State, having considered the outcomes from the consultation.

The Proposal for the creation of a Single Council is attached at Appendix A and the Consultation document is attached at Appendix B.

1.3 A new Single Council will inevitably be different from the two existing Councils and will build its own vision through engagement with its Councillors, and through them, its communities and local businesses. Central to the proposal to create a Single Council is the need to ensure that we can continue to meet the challenges that we are facing and to take full advantage of opportunities. During 2015/16 the Council reviewed its priorities and Members agreed that their top priority was to achieve financial sustainability. Members also stated that they did not want to see a reduction in the level and quality of the services delivered to their communities.

1.4 The predicted budget gaps for the Councils by 2020/21 are £0.8m for South Hams District Council and £1.1m for West Devon Borough Council. Therefore the scale of the financial challenge is £1.9 million by 2020/21 as shown below.



1.5 It is important that Members note that other options are also currently being considered as part of a package of measures, (such as outsourcing of some services and the commercial property acquisition proposals) and are the subject of separate reports presented to this Council. The strategy being advocated by the JSG is to implement a number of different schemes, not only to meet the immediate funding gap but to ensure financial sustainability for the medium to long term. If the option to create a single Council is progressed, it will not be progressed at the expense of the other options. However no single option is guaranteed to meet the financial challenge on its own. Each option will derive benefits on differing timescales, some have the ability to deliver benefits straightaway, others will realise benefits over a longer term. These (together with the risk of 'doing nothing') are discussed in section 4 below.

- 1.6 The Proposal does not impact adversely on service delivery as the Councils already have a shared workforce and customers are unlikely to notice an immediate difference in services. On day one of a new Single Council, there will still be a physical Council presence across both South Hams and West Devon with places for communities and businesses to access our services in different areas. It is only the governance arrangements that would be affected. In time, the new Council may alter its property strategy.
- 1.7 Residents and businesses would benefit from simplified arrangements to access a Single Council. It is envisaged there would be no change to locally delivered services, good customer access and strong connections between local councillors and their communities.
- 1.8 Due to the fact that both Councils have worked together in a shared services partnership since 2007 and have shared a non-manual workforce since 2015, West Devon annually saves £2.2 million whilst South Hams annually saves £3.9 million. As the financial section of the business case makes clear, the main financial driver of the proposal to become a Single Council is to protect this £6.1 million per year savings achieved through the T18 programme and to maximise each organisation's efficiency to address future financial challenges. The Proposal would also aid financial sustainability, ensuring resilience of much-valued local Council services enabling us to best support businesses and residents.
- 1.9 There would be significant financial advantage arising from the proposal in relation to additional efficiencies of (approximately) up to £0.5 million per year from staff efficiency reductions, plus increased council tax income (which varies depending on the option for equalisation) which could achieve a sustainable financial future for both Councils.
- 1.10 A new Single Council would have a single level of council tax after a period of harmonisation. The financial section of this report sets out the JSG's recommendation on how this might be achieved and the positive impact this would have on the financial sustainability of the Councils and the continued delivery of services.
- 1.11 The Proposal shows that if the Council adheres to the proposed timetable attached at Appendix C, the creation of a Single Council from April 2019 is achievable, particularly given that the majority of the Councils' services are already shared. This demonstrates that there is a low risk to the Council service delivery by pursuing this option.
- 1.12 If a decision on proceeding with this Proposal is not made at this meeting then the opportunity to submit the Proposal to the Secretary of State in time for a decision to implement for April 2019 is lost, the financial benefits as detailed would not be achieved and there is a significant risk that both Councils would not be able to meet their legal requirement to achieve balanced budgets in the medium to long term.
- 1.13 Adherence to the timetable is important and requires that a decision to proceed in principle (together with agreement to engage in consultation from early August 2017) needs to be made in July 2017 and a decision to submit the Proposal to the Secretary of State needs to be made in October 2017. The earliest date for implementation of the proposal is April 2019 which will

enable the required parliamentary stages of the process to be completed, and this would tie in with the next Borough and District Council elections in May 2019. However, the Department of Communities and Local Government (DCLG) has advised that any delay in the submission of the Proposal to the Secretary of State will mean that it is very unlikely that the creation of a Single Council could be achieved before April 2023.

- 1.14 If both Councils agree to the principle of a Single Council, there will be a period of public engagement from early August until the end of September 2017, and a final Proposal will be brought to the Councils in October for approval and submission to the Secretary of State.

2. Background

- 2.1 The scale of the financial challenge is £1.9 million and is shown in 1.4 above. The predicted budget gaps for the Councils by 2020/21 are £0.8m for South Hams District Council and £1.1m for West Devon Borough Council. During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. Both Councils applied and were accepted for the four year agreement. By 2018/19 both Councils will receive no Government funding (Revenue Support Grant) and the Councils will need to be financially self-sufficient. Both Councils' Settlement Funding Assessment (Revenue Support Grant and funding from Business Rates) is reducing by over 37% between now and 2019/20.

2.2 Why form a single Council?

The shared services efficiency savings that have been made in the past mean that the finances of the Councils are inextricably linked and operationally the two Councils are interdependent. This is due to the degree that services and staff have been shared since 2007 with over £6 million shared services savings being achieved annually. Therefore the financial challenges that the Councils face are a shared challenge.

- 2.3 South Hams District Council currently has a Partnership Agreement with West Devon Borough Council and a completely shared workforce for all South Hams non-manual workers. There is a strong history of the Councils working together to achieve savings and efficiencies since 2007 to mutual advantage. In 2013 the Councils took the sharing of services a stage further with the T18 Transformation Programme which has resulted in a shared workforce and has successfully delivered efficiencies in monetary terms (joint savings of £5 million) together with efficiencies in the delivery of its services. The clear priority of both Councils is to achieve financial sustainability in order to continue providing services to their local communities, and the creation of a single Council is the next logical step.

2.4 Timing Imperative

It is important that the Councils take steps now to ensure that their financial challenges are met and the delivery of their current services are maintained. Discussions with DCLG have made clear that there is a short window of opportunity to submit a single Council Proposal. There are specific legislative steps that need to be undertaken in order to create a Single Council (which are set out in the governance implications in section 6 and Appendix C of this report). The earliest date for the start of a Single Council (allowing for ministerial timetables and an implementation phase for the

Council) is April 2019.

- 2.5 If the Councils do not submit their proposal to the Secretary of State in October 2017 (to allow time for ministerial consideration and for making the relevant regulations by July 2018), then the DCLG has advised it is very unlikely that there will be sufficient parliamentary time for consideration of any single-council proposals during this parliament because of the Government's Brexit commitments.
- 2.6 **National Picture**
Nationally, since 2010 Local Authorities have been subject to increasing budgetary pressures, decreasing grant income from Central Government and the complete withdrawal of the Revenue Support Grant by 2018-19, in addition to uncertainty around the future of the business rate retention (which was omitted from the 2017 Queen's speech) means Councils need to alter the way in which they operate. Current Government policy is to encourage increased partnership-working, and to support Councils who wish to create combined authorities, and other local solutions. Other second tier councils are also pursuing the single/combined authority option including Suffolk Coastal, West Suffolk, East Kent, Dorset and Taunton Deane and West Somerset Councils. In June this year, Forest Heath District Council and St Edmundsbury Borough Council agreed in principle to the proposal for a single West Suffolk Council and are currently consulting on their proposals.
- 2.7 **Why not unitary or wider shared service?**
There is no current interest from other Devon authorities in terms of further sharing or provision of services, or for creating a larger single Council. Officers will continue to explore any possibilities that arise, but pursuing the creation of a single Council between South Hams and West Devon would not preclude these dialogues. It is clear that there is no current appetite locally for a Unitary Council in Devon (and the unitary agenda is not currently being pushed by Central Government). The proposal therefore concentrates on a solution that is within the gift of our two Councils to achieve.
- 2.8 The Single Council proposal will affect the following:
Residents: local people will benefit from the simplification of dealing with one organisation which has one contact point and one website. There will be no detriment to the delivery of services during the implementation period as the Councils already operate a customer focussed, shared workforce. Potentially, a larger Single Council will have the capacity to take on and deliver more services for residents, if this Proposal is pursued in conjunction with other income generation or cost saving initiatives, as a financially sustainable Council will be created.

Council Tax: The Council Tax policy for South Hams residents will be dependent on the option taken forward for the harmonisation of council tax. There is currently a £63 difference in Council Tax between the Councils and council tax equalisation options are set out in Appendix E. The preferred options of the Joint Steering Group for equalisation of council tax are Options 5 and 5a. These are set out in further detail in Appendix F.

Under Option 5, South Hams residents would see an increase in their Band D Council Tax of £25.99 (16.2%) per year for 3 years and then a council tax freeze for 2 years. The current South Hams Band D is £155.42 for 2017/18. Under Option 5a, South Hams residents would see an increase in their Band D of £17.59 (11%) per year for five years from 2019-20 to 2023-24. The effects on different bands can be seen in the table in section 3.10 below.

Businesses: as with residents, business will benefit from simplification of dealing with one Council, particularly any businesses that operate across the whole area, and there will be no impact on business rates.

Public Sector partners: Devon County Council, Plymouth City Council, Torbay, other District Councils, the National Park, Police, and Health Trusts will benefit from dealing with only one Council rather than two and a simplification of decision-making. There are opportunities for Parish and Town Councils to increase the services that they deliver locally and for closer working with both councillors and the community.

Staff: All staff employed by South Hams and West Devon would transfer to the new Council from day one. There will be a reduction of less than 10 posts across the whole organisation (out of current establishment of 430.5 fte) and these few posts are likely to be lost through natural turnover rather than redundancy. Additionally, there is a positive impact on work-loads as a result of dealing with one set of policies, ledgers, committees and working groups, and this capacity will enable a greater focus on the delivery of key projects and strategic priorities.

Councillors: a change of governance from two Councils to one is likely to see a reduction in Councillors by 2023. Initially, the proposal is for no change to the number of Members (62) in 2019, but to request a Boundary Commission review during the next administration for implementation in 2023. A single Council will also be an opportunity for Members to build on their current joint meetings and collaboration, and critical to the success of the new Council would be the local leadership role of ward members. A Single Council will have a stronger voice as the largest district in Devon, and the single Council would also benefit from the support of the 11 County Councillors.

3. Outcomes/outputs

- 3.1 The objective is to achieve a single second tier Council for South Hams and West Devon in order to protect services and achieve a sustainable financial future.
- 3.2 **Timetable and legislative requirements:** the powers that enable the creation of a new Council are set out in the governance implications in section 6 below and this approach has been agreed with the DCLG. The timetable for the Proposal is attached at Appendix C and includes the formal statutory process for creating a single Council. The earliest date to enable implementation of a new Council is 1 April 2019. Conversations with DCLG to date have made it clear that in order to achieve this, the Councils will need to submit the Proposal to the Secretary of state in Autumn 2017. This is because the Secretary of State needs to consider the Proposal before making his recommendations in the Spring of 2018, with a view to making regulations for parliamentary debate and approval by July 2018. This will enable a period

of approximately 8 months within which to implement the necessary changes. Based on discussion with the DCLG, Officers are confident that implementation can be achieved within that timescale. A public referendum is not required to form a new Council or to increase Council Tax by more than the current £5 / 1.99% limit per annum to achieve council tax equalisation.

3.3 **DCLG principles:** the Proposal covers the five key principles adopted by DCLG for considering proposals for combining authorities. Namely:

- Improved local public services
- Greater value for money
- Stronger local leadership at a strategic and local level
- Significant cost savings
- A sustainable future in the medium to longer term

These are not statutory nor more widely defined, and no weightings are given to the five principles. The Proposal in Appendix A addresses these issues under several headings:

- The rationale for the new Council
- Governance and members
- Our workforce
- Accommodation and assets
- Timing and process
- Consultation
- Financial justification
- Risk and opportunities

3.4 **Consultation:** The Proposal must also demonstrate that the Councils have consulted on the Proposal; it is a matter for individual councils to decide how to engage with local people, businesses and organisations. There is no statutory requirement for a referendum or to consult in a particular way for a particular period, however, the Proposal must include evidence of support for a new Council from the County Council and local Members of Parliament. If approved, a consultation will take place from early August to the end of September 2017, during which period the Council will:

- Publish a summary of the Proposal which will also include specific questions which our residents, local businesses, public sector partners and other partner organisations can answer. Please see Appendix B
- Set up a dedicated website called 'One Council' featuring the proposal documents, frequently asked questions, and on-line survey
- Commission a statistically sound telephone survey of residents and businesses across South Hams and West Devon
- Engage with the public through attending a number of events and briefing sessions throughout both Council areas over the summer to capture additional responses to the public consultation
- Issue 'One Council' newsletters to residents, local businesses and public sector partners & other partner organisations
- Issue press releases and engage the public through social media
- Engage with neighbouring councils and other key stakeholders, public sector partners and other partner organisations (such as Dartmoor National Park, Devon and Cornwall Police etc.) on the proposal.

3.5 **Summary of details in the Proposals:**

3.5.1 **Governance:**

There is no proposal to reduce the number of members from the current 62 for the implementation date of 1 April 2019. The current number of elected Members can embed the strengthened local leadership role. The Secretary of State does have the power to amend the number of members on the Council when he considers and decides on the Proposal, but otherwise the new Council will request the Boundary Commission to undertake a review in order that revised arrangements are in place for the 2023 elections. The Boundary Commission review will also present the opportunity to consider 'single member' wards and the effective number of members for the urban centres. It is likely the number of elected members representing the new Council will be reduced by 2023.

- 3.5.2 Governance arrangements are prescribed by law, and the new Council will have the option of operating executive arrangements either through an elected mayor with a cabinet executive, or a leader and a cabinet executive. The proposal is that the new Council operates a Leader with a 'Cabinet' and the change in terminology from Executive and Committee system, will signify a positive change from both current structures. A Cabinet can comprise up to 10 members, and whilst this is a matter for the new Council, the JSG has recommended that the Cabinet comprises between 6 and 8 members in accordance with best practice in order to operate with maximum effectiveness. Individual portfolio holders will have defined decision-making powers (which will be decided by the new Council) such as debt write-off and award of community grants.
- 3.5.3 The new Council will retain a democratically sound model, but with an end to duplicated and separate decisions by the existing Councils on shared issues. There will be a reduction in the overall number of council bodies for a single organisation (Council, Cabinet, Audit Committee) but the Proposal sets out that there will be at least two Development Management Area Committees, and two or three Overview & Scrutiny Committees comprising of members not on the Cabinet, with the opportunity of the O&S Committees being chaired by a member of the minority parties.
- 3.5.4 The new Council with a combined population of 138,500 would be the largest district in Devon (84,500 for South Hams, and 54,000 for West Devon) and allow the larger organisation to have more influence regionally and nationally. A new Single Council will be better able to play its part in delivering its strategic goals shared by all of the public services in Devon. A larger, Single Council will have more resilience than two smaller organisations and therefore better able to face the significant changes and challenges that local government will experience in the future, for example, the changes relating to local government funding, changes to New Homes Bonus and 100% business rate retention.
- 3.6. **Statutory frontline services and benefits to our communities:** the efficiencies that can be delivered through staff capacity, by supporting one rather than two Councils, will protect our statutory frontline services, as this capacity can be dedicated to provide further support to these services. This will ensure the Council can continue to meet its statutory obligations. There may also be some options to improve services as a larger Council would have the scale to take on and deliver more services, and as a larger Council, with a stronger negotiating position, the new Council will have a stronger voice both nationally and locally.

3.7 **Efficiencies in back office services:** this will be particularly relevant to accounting as we would move to one ledger removing the necessity for apportionment and recharging. We will be able to have a single set of the Council's policy framework documents (budget, Constitution) and other policy documents. A Single Council would enable further efficiencies such as a single membership fee or licence where this is currently payable by both Councils (such as ICT licensing fees). Further efficiencies can be achieved through the reduction in member support for those member meetings currently duplicated. Efficiency savings across both Councils are predicted to be up to £0.5 million per annum in total.

3.8 **Accommodation and Assets:** the Councils already have a flexible workforce who can work from any location. In the longer term, the new Council would need to consider whether there is a continued need for two large head offices and how best to support customers across both areas who need access to Council staff. A single Council would enable:

- The assets of both Councils to be combined (£20 million West Devon and £75 million South Hams)
- A comprehensive review of the Councils' operational locations
- Increased partnership working closer to communities, with officers or committees co-locating with other public bodies or in community buildings to reduce or avoid the need for customers / staff / Members to travel large distances
- The potential disposal and/or redevelopment of the two head office locations

Further details of the JSG Asset Strategy can be found at Appendix D. No figures for savings have yet been modelled into the proposal.

3.9 **Financial section**

3.9.1 Cost of Implementation and Efficiencies and Savings

Modelling of one-off costs of planning and implementation are predicted to be £325,000 as shown below. This is for costs such as IT costs, public consultation, remodelling of Council finances, legal costs and a prudent estimate for any redundancy and pension strain costs.

3.9.2 Savings of up to £0.5 million a year are predicted. These savings are not frontline service cuts and would be from efficiencies from back-office activities. The number of staff posts affected would be in the single figures (i.e. less than 10) and it is hoped that this could be largely addressed through natural turnover. However, redundancy and pension-strain costs have been included within the financial modelling as a worst-case scenario.

3.9.3 Becoming a Single Council would mean releasing some capacity absorbed by serving two bodies. This would reduce the amount of time spent on complex or duplicated processes. Financial systems would be simpler, with single reporting requirements, with a removal of the complexities of recharging money between both Councils and the need for two sets of reconciliations (such as bank reconciliation, control account reconciliations, shared services reconciliations etc.). This would release some staff capacity as a result of more simple and effective ways of working, allowing staff to focus on the delivery of key projects and strategic priorities.

3.9.4 The table below shows the one-off implementation costs of £325,000 and the annual savings predicted of up to £0.5 million per annum. The one-off investment costs of £325,000 are paid back within the first year (2019/2020). The table also shows the additional income generated from council tax under equalisation of council tax (Option 5), which is shown for illustration purposes only.

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Planning and Implementation costs							
Advice and modelling for Council Tax	3,000	3,000	4,000				
Project Management and Support	15,000	15,000	15,000				
Public Consultation	12,500	2,500					
IT costs		25,000	25,000				
Comms Support / Branding/ website etc		5,000	10,000				
Remodelling council finances etc		25,000	10,000				
Legal, including novation of contracts		10,000	5,000				
Redundancy and pension strain costs			85,000	20,000	20,000	15,000	
Implementation Costs per annum	30,500	85,500	154,000	20,000	20,000	15,000	0
						Total Implementation costs	325,000
Savings			2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Staff efficiency reductions				-370,000	-370,000	-370,000	-370,000
One Financial Ledger (50% reduction) including reductions in processing recharges between councils etc				-25,000	-25,000	-25,000	-25,000
Accommodation rationalisation (TBA)							
Member reductions (20% of £425,000)							-85,000
Reduction in subscriptions and memberships			-20,000	-20,000	-20,000	-20,000	-20,000
Reduction in Audit Fees			-40,000	-40,000	-40,000	-40,000	-40,000
Annual Savings			-60,000	-455,000	-455,000	-455,000	-540,000
						Total Savings	-1,965,000
Increased Income			2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Council Tax equalisation (option 5 is shown for illustration purposes only)			-800,000	-1,600,000	-2,500,000	-2,200,000	-1,900,000
Net cost/(additional income)	30,500	85,500	-706,000	-2,035,000	-2,935,000	-2,640,000	-2,440,000

If the proposal is approved, the costs of £30,500 in 2017/18 and £85,500 in 2018/19 would need to be paid for from each Councils' Unearmarked Reserves. These costs would be split 50%/50%. From 2019/20 onwards, the implementation costs could be paid for from the savings generated.

The table above shows that by 2019/2020, the net income position is £706,000 for the Single Council and this rises to £2.035 million by 2020/2021 (using Option 5 for equalisation of council tax for illustrative purposes). By Year three (2021/22) the net income raised is £2.935 million and then this would fall to £2.44 million by Year 5 if council tax was frozen by the Single Council in Years 4 and 5. The Single Council Proposal being considered by the Joint Steering Group is one of two options which are the most likely to achieve financial stability for both Councils. The other option is the commercial property acquisition strategy which is mentioned in section 4.5 below. Neither of these two options will meet the immediate budget deficit for 2018/19 so in any case

the Council will also need to consider some other short term solutions through the budget setting process this year for 2018/19.

3.10 Council Tax Equalisation

Appendix E sets out possible options for the equalisation of Council Tax. There are many different ways in which this could be achieved. There is currently a £62.97 difference in Band Council D Tax levels between South Hams (£155.42) and West Devon (£218.39) for 2017/18. The number of years over which Council Tax can be equalised can be anywhere from 1 to 5 years.

The options in Appendix E have been considered by the Joint Steering Group and their preferred Options are Options 5 and Options 5a. Appendix F evaluates these two options in more detail and shows in a graphical format the council tax income yield from each of these options, in comparison to the council tax income yield already modelled into each Councils' Medium Term Financial Strategy (MTFS).

The maximum increase allowed whilst remaining within the council tax threshold would be a £5 increase in the combined Band D and combined Taxbase (which is Option 3 in Appendix E). DCLG have confirmed that the Council can submit options that also include those that exceed the council tax threshold and this will be considered by Ministers.

Options 5 and 5a are summarised below:

	Option 5	Option 5a
SHDC Annual increase in Band D – This sets out the impact on South Hams residents	£25.99 increase in South Hams Band D each year for first three years (16.2% increase), then frozen for Year 4 and Year 5	£17.59 increase in South Hams per year for each of the 5 years
WDBC Annual increase in Band D - This sets out the impact on West Devon residents	£5 increase in West Devon Band D each year for first three years; then frozen for Year 4 and Year 5	£5 increase in West Devon per year for each of the 5 years
Value of Band D that is equalised to by Year 5 (2023-24)	£238.39 by 2021-22	£248.39 by 2023-24
Equalisation period	3 years	5 years
Council tax threshold	Exceeds council tax threshold	Exceeds council tax threshold

The table below further shows the impact on South Hams residents of the council tax equalisation by bands.

Effect of South Hams Council Tax Increase	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Ratio to Band D (9ths)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
Option 5 - Council Tax Increase £25.99 (Band D) per annum for 3 years and then a council tax freeze for 2 years	£ 17.33	£ 20.21	£ 23.10	£ 25.99	£ 31.77	£ 37.54	£ 43.32	£ 51.98
Option 5a - Council Tax Increase £17.59 per annum for 5 years	£ 11.73	£ 13.68	£ 15.64	£ 17.59	£ 21.50	£ 25.41	£ 29.32	£ 35.18

3.11 **Financial Strategy of the Joint Steering Group**

The strategy being advocated by the Joint Steering Group is to implement a number of different schemes, not only to meet the immediate funding gap but to ensure financial sustainability for the medium to long term.

Each scheme will vary in risk profile, achievability and the impact on our finances. By implementing a number of solutions rather than over-reliance on one option, the Councils will spread the risk and maximise the benefits.

3.12 The successful outcome of the proposal will be the establishment of the single Council in April 2019, once the regulations have been approved by the Minister, and the implementation changes have been completed. Following this point, efficiencies and improvements in service delivery can be achieved.

3.13 The success of the proposal will be initially demonstrated by endorsement from the MPs and Devon County and through the support of our communities and stakeholders and the subsequent approval of the Proposal by the Secretary of State. If the Proposal is approved, a legislative Order will be made, and a single Council created on 1 April 2019. Success can be measured with balanced budgets and a sustainable medium to long term financial plan with no detriment to services and a stronger local voice.

4. **Options available and consideration of risk**

4.1 **Option 1: Do nothing:** This is not a viable option as we have a statutory duty to balance our budgets, and the other options that the Councils are exploring alongside this single Council proposal do not provide one single solution to the budget deficit on their own. The budget would need to be balanced in a different way (such as service cuts) but ultimately if the Council fails to set a balanced budget the Government would intervene, with the likely option of a forced merger with another authority. Considering this proposal now before the Council reaches that position, in a planned way, will cost less and enable the Council to retain control over its future.

- 4.2 **Option 2: Extend shared services to other Councils.** This is not solely in the gift of the two Councils and relies on participation from other organisations; there is limited appetite from other Councils to extend our model of shared services, though there may be opportunities to work with Torbay in future. The financial benefits for South Hams and West Devon of extending shared services are extremely limited and would not help meet our forecast deficit as these savings have already been taken from moving to the current model; however there should be benefits in terms of resilience from extending the workforce. Extending our model to other Councils would create disruption to service delivery and the workforce, and require significant management capacity. However, the Proposal to form a Single Council does not preclude the extension of shared services in the future or other restructures (e.g. Unitary) if the Council is so minded; in fact having a single Council would make any such proposals less complicated to achieve in future.
- 4.3 **Option 3: Cut/reduce services.** One of the Council's key objectives is to protect services, not cut them. The JSG did consider this option early on and agreed that the appropriate mechanism for changes to services is through the budget setting process. Officers will bring proposals forward during the autumn for consideration by Council during the budget process, however the intention is not to cut services if at all possible. Members should note that, without other measures, cutting services in South Hams is unlikely to close the entire budget gap.
- 4.4 **Option 4: Out-sourcing / Wholly owned company.** In February/ March 2017 the Councils decided not to set up a Local Authority Controlled Company for all services. However this is still an option for some services, as is continued or further outsourcing of some services where there is a clearly defined market or efficiency opportunity. It is possible to pursue this option alongside the Proposal for a Single Council, and the JSG supports a dual strand approach to achieving the objectives of financial sustainability and protecting services. This is therefore the subject of another report from the JSG to Council on today's agenda.
- 4.5 **Option 5: Property Acquisition strategy.** This involves borrowing to acquire commercial property with the aim of achieving significant revenue to help meet the budget deficit. A proposal has been worked up by the Invest to Earn Working Group. There is no guarantee that the Property Acquisition strategy alone would meet the financial challenge we face, but it is recommended that it is pursued as part of a multi-strand approach to achieve our financial sustainability objectives. A report to the Executive is on the same agenda, for a property portfolio of up to £75 million. The net income that could be achieved from the commercial property investment strategy on a £25 million property portfolio is between £0.46 million and £0.89 million. Again, this option can be pursued alongside the Proposal for a Single Council.

The two schemes most likely to achieve financial sustainability are the property acquisition strategy and the Single Council proposal - neither of which will meet the immediate budget deficit for 2018/19 so the Councils will also need to consider some other short term solutions through the budget setting process this year.

- 4.6 **Option 6: Proposal for a Single Council.** This proposal has the ability to meet the financial challenge and protect services in the long term. All elements within the control of the Councils are easily achievable and relatively low cost to implement. There is a dependency on DCLG to approve the Proposal and adhere to the timetable set out in order to achieve implementation for April 2019.
- 4.7 The options have been evaluated by the JSG, which has met 4 times since the Council tasked it with considering a range of options to achieve financial sustainability to address the forecast budget deficit. The options it considered at its first meeting were:

Single Council

Service reductions

Asset growth and income

Merger with Plymouth or other Councils

More shared services with other Councils

Outsource services

Full SHWD Combined Council

Wholly owned council company for specific services

Unitary proposal

Further channel shift

Increase Fees and Charges

Structural review

Council tax increase

- 4.8 Those highlighted in bold were considered viable options for the JSG to consider further. Other options such as Channel Shift were already being progressed as business as usual and Fees & Charges are reviewed annually already. Service reductions had previously not been an option for Members and it was agreed that it was more appropriate to consider this option through the budget process. A council tax increase above £5 would involve a referendum costing approximately £230,000 (£130,000 for South Hams and £100,000 for West Devon) and it was considered that it would not be viable as a stand-alone option as it could be explored through the Single Council option which does not require a referendum.
- 4.9 Extending shared services with other Councils was not progressed due to the reasons set out above. Having defined the priority areas for consideration and refining has resulted in options 4 and 6 being considered in detail and reports being put before Council for approval today. Alongside this are the proposals for the Property Acquisition Strategy. As set out previously, none of these options are stand-alone options and may be pursued at the same time.

Each of the options considered vary in risk profile, achievability, and impact on the Council's finances. By implementing a range of measures and solutions the Council is spreading and mitigating its risk and maximising the benefits. The two schemes most likely to achieve financial sustainability are the commercial acquisition strategy and the Single Council proposal - neither of which will meet the immediate budget deficit for 2018/19 therefore the Council will also need to consider some other short term solutions through the budget setting process this year. All of the options contribute to closing the budget deficit, but don't give the wider non-financial benefits given by the single Council option that are identified above.

- 4.10 Consultation is a key part of the Single Council proposal and Members are being asked to approve the consultation process as set out in paragraph 3.4 above. The outcomes of the consultation process will be brought back to the Council in October for consideration alongside the final proposal.

5. Proposed Way Forward

- 5.1 The JSG recommends that the Council agrees in principle to the creation of a single second tier Council for the area of South Hams and West Devon as set out in the accompanying proposals. The JSG's preferred options for the equalisation of council tax are Options 5 and 5a which are evaluated in Appendix F.
- 5.3 The following impacts have been identified in relation to the Proposal:
Positive impacts: there are clear financial benefits through efficiencies and increased income (which will result closing the gap and providing future sustainability). There will be removal of duplication in officer time and meetings, and a simplification of governance structures for residents, businesses, partners and staff. Significantly, there will be no cuts to services.
Negative impacts: there will be an increase in Council Tax above the £5 council tax increase threshold for South Hams residents in order to achieve harmonisation. There will be implementation costs of £325,000 but these are one off costs only.
Other impacts: Potential reduction in the number of Councillors from 2023 and a likely rationalisation of offices and assets. There will be no direct impact on residents and businesses as a result of the implementation of the proposal, and once the new Council has been created, there will be improvements to residents as identified above.
Risks. These are set out in the table in Section 6 below.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Powers for the Councils to create a Single Council are set out in two key pieces of legislation.</p> <p>Sections 8 -10 of the Local Government & Public Involvement in Health Act 2007: the Local Government Boundary Commission for England may undertake a review at the request of the Secretary of State or the Local Authority. The review may request boundary changes, including the abolition of a local government area (i.e. a Council area) and the setup of a new council area. This procedure can be used to merge two district councils (this is a different process from the Boundary Commissions regular electoral review of ward boundaries).</p> <p>Section 15 of the Cities & Local Government Devolution Act 2016 sets out a more expedited process for review of local authority areas and councillor numbers. Under this</p>

		<p>process, the request for a merger can be put directly to the Secretary of State (as opposed to the Boundary Commission). Proposals for the size of the new Council (i.e. number of Councillors) can also be put to the Secretary of State directly with the Boundary Commission having a more restricted role developing new boundaries for the new Council.</p> <p>Discussions with DCLG have confirmed that the Councils would need to submit, directly to the Secretary of State, a formal proposal for merger and the formation of a new Council under the 2016 Act, but the procedure would also require a modification of the 2007 Act. This means in practice, that the Government needs, therefore, to make two sets of regulations (which need to be debated in Parliament) before it can make an Order setting up the new single Council.</p> <p>DCLG has also set out 5 key principles that it expects the Council to address in its proposals: Improved local public services</p> <ul style="list-style-type: none"> • Greater value for money • Stronger local leadership at a strategic and local level • Significant cost savings • A sustainable future in the medium to longer term <p>These principles have been addressed in the Proposal document.</p> <p>Only full Council can agree submit a proposal for a single council and a further report will be brought back to the Council in the Autumn seeking this agreement.</p> <p>A public referendum is not required to form a new Council or to increase Council Tax by more than the current £5 / 1.99% through the equalisation of council tax process.</p>
Financial	Y	<p>Modelling of one-off costs of planning and implementation are predicted to be £325,000 as set out in 3.9. If the proposal is approved, the costs of £30,500 in 2017/18 and £85,500 in 2018/19 would need to be paid for from each Councils' Unearmarked Reserves. These costs would be split 50%/50%. From 2019/20 onwards, the implementation costs could be paid for from the savings generated.</p> <p>The table in 3.9.4 shows that by 2019/2020, the net income position is £706,000 for the Single Council and this rises to £2.035 million by 2020/2021 (using Option 5 for equalisation of council tax for illustrative purposes). By Year three (2021/22) the net income raised is £2.935 million and then this would fall to £2.44 million by Year 5 if council tax was frozen by the Single Council in Years 4 and 5.</p>

		<p>The Single Council option is an option being considered by the Joint Steering Group which is one of two options which is the most likely to achieve financial stability for both Councils. The other option is the commercial investment strategy (property acquisition strategy) which is mentioned in Option 5 below. Neither of these options will meet the immediate budget deficit for 2018/19 so the Council will also need to consider some other short term solutions through the budget setting process this year.</p> <p>The financial implications for the options for the equalisation of council tax are shown in Appendices E and F. There is currently a £63 difference in Council Tax between the Councils. The preferred options of the Joint Steering Group for equalisation of council tax are Options 5 and 5a. These are set out in further detail in Appendix F.</p> <p>Under Option 5, South Hams residents would see an increase in their Band D Council Tax of £25.99 (16.2%) per year for 3 years and then a council tax freeze for 2 years. The current South Hams Band D is £155.42 for 2017/18. Under Option 5a, South Hams residents would see an increase in their Band D of £17.59 (11%) per year for five years from 2019-20 to 2023-24. Please see table in section 3.10.</p> <p>The financial implications of the Asset Strategy are shown in Appendix D. A single Council would enable the assets of both Councils to be combined (£75 million South Hams and £20 million West Devon). No figures for savings have yet been modelled into the proposal.</p>
Risk	Y	<p><i>One partner does not agree to Single Council Proposal and a reputation risk if Government intervention is necessary:</i> if one Partner Council does not agree then there is a significant risk that the Council will not attain financial sustainability as a combination of measures are required. If there is Government intervention then this will have a reputational risk for the Council, and have adverse financial impact and limit the control of the Council in relation to its own future.</p> <p><i>Not meeting the timetable for submission:</i> if the Council has not agreed to submit proposals to the DCLG by the Autumn it is likely that there will be no parliamentary time to consider such proposals during the current parliament which will mean that the Council may not achieve the financial sustainability it needs. A timetable has been drafted to ensure that the Council submits the proposal in time for DCLG consideration.</p> <p><i>Not accepting the proposal and delays at DCLG:</i> whilst we have received strong indications that the DCLG supports proposals for single councils between two or more authorities, there is no guarantee that the DCLG will accept</p>

	<p>the proposal and issue the appropriate regulations to enable us to proceed. If there are delays in the timetable by the DCLG then it is likely that the regulations would not be made in the summer of 2018. Delays after this are likely to mean that there is insufficient parliamentary time to consider proposals for a single council until during this parliament. This is outside the control of the Council.</p> <p><i>Customer remoteness from Council Offices:</i> there would be no immediate changes to the office locations however a priority for the new Council would be to develop its asset strategy and consider locations for service delivery. Although the Council will continue to enhance its digital and online access routes, local presence will be important. The Locality Team will play a critical part in ensuring a presence across the area.</p> <p><i>Expected financial benefits are not realised:</i> The savings identified in this report are considered to be robust. Where savings or increased income are likely but not quantifiable, these figures have not been included in the calculations. Delivering services through one Council may also provide future opportunity to consider how services are delivered across the new area – for example, aligning our Waste service across the area (South Hams currently in house West Devon Outsourced)</p> <p><i>Confusion for residents, businesses and partners during the implementation of the new council / Adverse response to consultation:</i> A detailed and extensive communications and engagement plan has been developed to ensure that all stakeholders are clear on the changes. In reality, there should be very little difference – other than the change of name of the new council and new bank account etc. From the point of decision by DCLG, we would have 8 months to implement the new Council to be ready by 1st April 2019, during which we would communicate through a number of channels.</p> <p><i>Uncertainty around future external environment:</i> Having recently concluded a general election and now entering into Brexit negotiations, Local Government is still in a period of uncertainty however our Medium Term Financial Strategy sets out clearly the financial positions for both Councils and action needs to be taken to ensure future sustainability of services. A single new council will have greater resources available to it and will therefore be more resilient and more able to adapt to future challenges.</p> <p><i>Political change and conflict between the Councils:</i> Councils are political organisations and the current Partnership between the two councils carries significant risk to its sustainability in the event of conflict arising in the event of political change, or through conflict arising</p>
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		between the Councils. This risk could result in the breakup of the partnership arrangement and the loss of the shared services savings to date, causing intolerable financial pressure for both Councils and this risk would be mitigated by the creation of a single Council.
Comprehensive Impact Assessment Implications		
Equality and Diversity		<p>There will be extensive publicity and engagement with our customers and stakeholders during the consultation and any future phases. There will be no impact on the day to day delivery of council services.</p> <p>The Council Tax equalisation will have a greater impact on South Hams residents.</p> <p>Staff will be kept updated throughout and would TUPE into new Council, carrying out the same roles as they do now.</p> <p>Initially the number of Members in the new Council will remain at 62, but are likely to be reduced following a Boundary Review. There will be one new governance structure and one Leader in the new Council.</p>
Safeguarding		None. No change to staff roles and their responsibilities.
Community Safety, Crime and Disorder		None. No change to staff roles and their responsibilities.
Health, Safety and Wellbeing		Staff – will be transferred into the new Council carrying out same role at same location. Consultation will continue with staff and unions through the TUPE process. HR will provide support and drop in sessions for anybody concerned by change. Jobs should remain safe, services protected through a sustainable future.
Other implications		<p>Finance/Budgets – JSG funding has been provided to develop the option of setting up of a new Council.</p> <p>Procurement/Contracts – existing contracts would look to be novated across to the new Council with existing terms and as they expire, new contracts will be drawn up.</p>

Supporting Information

Appendices:

- **Appendix A:** Proposal for the creation of a Single Council for South Hams and West Devon
- **Appendix B:** Consultation Document for the Proposal of a Single Council
- **Appendix C:** Timetable for submission of Single Council proposal

- **Appendix D:** JSG Asset Strategy
- **Appendix E:** Equalisation of Council Tax options
- **Appendix F:** Evaluation of Council Tax Equalisation Options 5 and 5a

Background Papers:

Medium Term Financial Position for 2018/19 onwards

**Proposal for the creation
of a Single Council for
South Hams and West Devon**



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Foreword from Joint Steering Group

This Proposal, to create one single new Council to serve the areas currently managed by South Hams District Council and West Devon Borough Council, is one of several measures that we are considering to help us close a £1.9 m gap in our finances.

This is a top priority for both Councils. If either of us cannot set a balanced budget, there would be severe financial consequences for both of us because we already share one workforce.

If this were to happen we may lose the ability to set our own future path.

In this Proposal we predict that by creating a single new Council we could save up to £0.5 million a year, and that is excluding any potential income resulting from an increase in Council Tax. These savings would not be made through cuts to services, but because a Single Council will cost less to operate.

The Councils have shared a Chief Executive (and latterly shared Executive Directors) since 2007 and now we also share a joint workforce and many of our policies and procedures are aligned. However, during this time the political structures and decision-making processes of the two Councils have remained completely separate. This means that we still have two Leaders, two sets of Councillors, two sets of accounts and two sets of political meetings.

This is a Proposal to bring the two political structures together, a natural continuation of the shared service journey that both Councils have been on. It also looks at further savings that could be made by reducing the number of Councillors and combining our assets.

This Proposal lays out how we think the creation of a Single Council would work and how the efficiencies would be achieved. It also includes a timeframe for getting approval from the Secretary of State.



Cllr J Tucker
Leader,
South Hams
District Council



Cllr P Sanders
Leader,
West Devon
Borough Council



Cllr S Wright
Deputy Leader,
South Hams
District Council

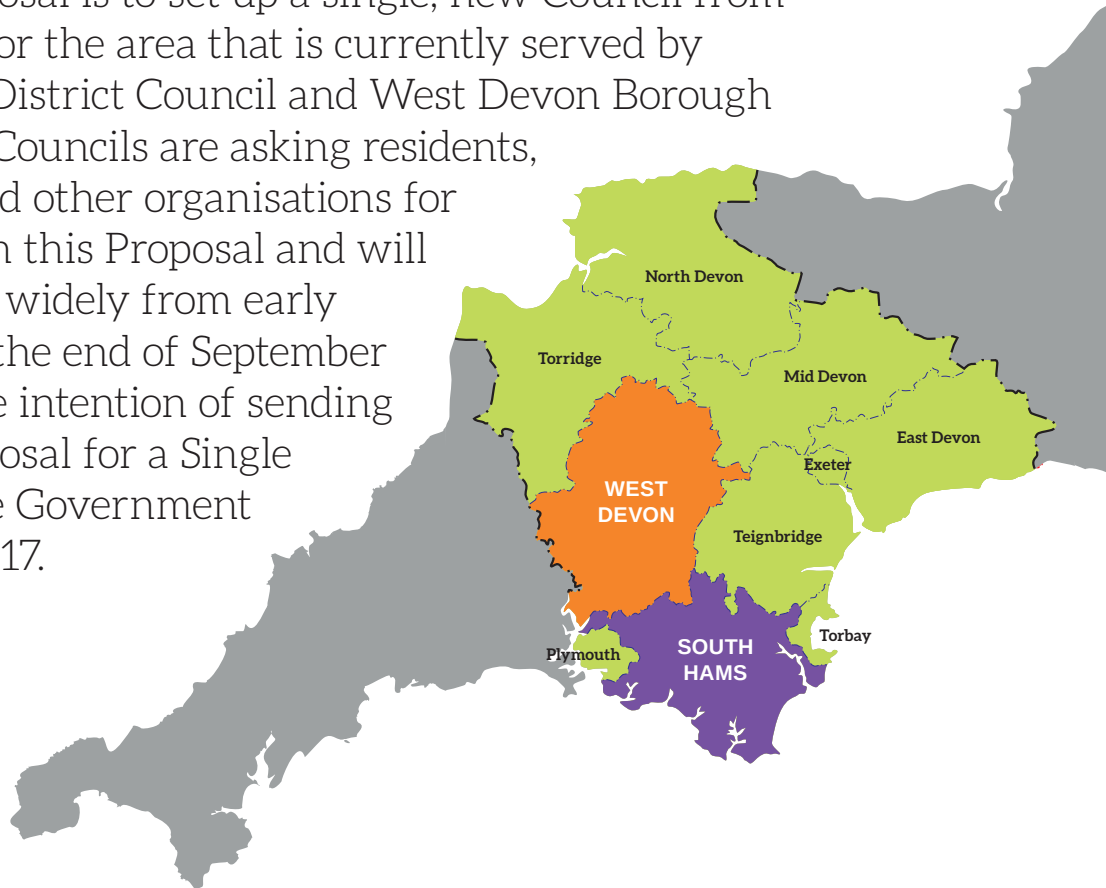


Cllr L Samuel
Deputy Leader,
West Devon
Borough Council

Executive Summary



1.1 This is a Proposal is to set up a single, new Council from 1 April 2019 for the area that is currently served by South Hams District Council and West Devon Borough Council. The Councils are asking residents, businesses and other organisations for their views on this Proposal and will be consulting widely from early August until the end of September 2017, with the intention of sending the final Proposal for a Single Council to the Government in autumn 2017.



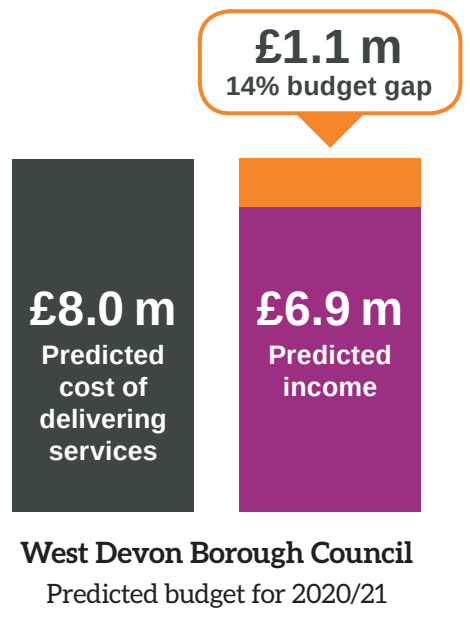
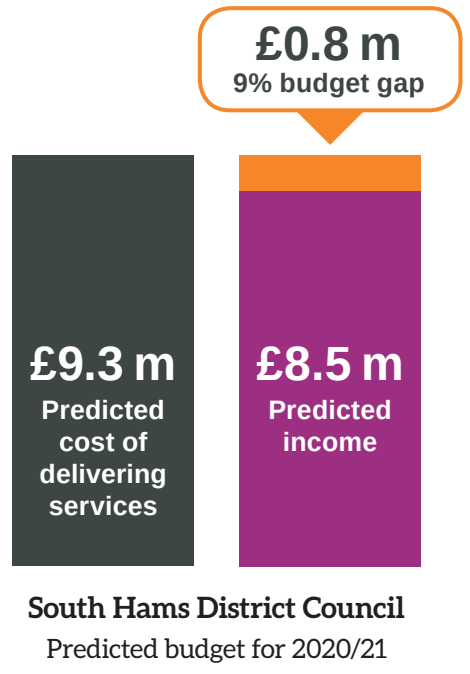
1.2 The purpose of the Proposal is to respond to severe financial public sector constraints, maximise savings that would arise from creating a Single Council instead of operating two separate Councils, and therefore, importantly, protect and invest in the services that South Hams and West Devon currently provide. Whilst the key reason for creating a Single Council is financial, an important consideration is to ensure future resilience and sustainability of valued Council services. The Councils believe that creating a Single Council will help us to continue to meet the challenges that we are facing and take advantage of any opportunities that arise in the future.

1.3 South Hams and West Devon have a strong history of working together to achieve savings and deliver services in a more efficient way. This history of working together (from 2007) has culminated in the Councils' recent T18 transformation programme and has successfully resulted in a smaller workforce delivering these services whilst saving £5 million per year. The Councils want to both protect these savings and to also make further savings and efficiencies in the way we deliver our services, and creating a Single Council is the next logical step in this journey; the Councils are already interdependent on each other financially given the extent of the shared workforce and delivery of shared services.

1.4 The Single Council Proposal is one of several measures that the Councils are considering to help to close the £1.9m funding gap across both Councils. Other measures that the Councils are currently considering are outsourcing some of their front-line services such as waste and recycling services and also considering a programme of buying and renting out commercial properties. These measures are being considered alongside each other as there is no single solution to the financial pressures faced by the Councils to meet the funding gap, and to ensure financial stability for the medium to long term.

1.5 The predicted budget gaps for the Councils by 2020/21 are £0.8m for South Hams District Council and £1.1m for West Devon Borough Council.

1.6 The Councils predict that, by creating a Single Council, they can save up to £0.5 million a year. This will not be through cuts to services, but because a Single Council will cost less to operate; the new Council will need fewer Council and Committee meetings and there will be no need for each Council to make separate decisions; there will be one budget and one set of financial systems. The staff capacity that these efficiencies will release will be focused on the delivery of services.





- 1.7 Currently, the Councils have different levels of council tax, but (after a period of harmonisation) a new Single Council will have a single level of council tax across the whole area; how this can be achieved is set out in paragraph 9.28 below. This will increase the amount of income that the Council receives, helping to close the funding gap, and retain valued Council services.
- 1.8 The Councils need to follow a prescribed process and timetable in order to create a Single Council and this is set out in Section 7 below.
- 1.9 As part of this Proposal, the Councils have addressed the five key principles set out by the Government for considering changes in Council structures. The principles are:
- Improvement of local public services
 - Providing greater value for money
 - Delivering a stronger local leadership - across both Council areas and locally at ward level
 - Generate significant cost savings
 - Supporting a sustainable future (structurally and financially) in the medium to longer term
- 1.10 If the Proposal to create a Single Councils is progressed, it will not be at the expense of the other options mentioned in paragraph 1.4; however, no single option is guaranteed to meet the financial challenges on its own. There is a risk that if the combination of proposed measures are not implemented, at least one of the Councils will not achieve a balanced budget in the near future which will have severe financial consequences for both Councils.

Background



- 2.1 South Hams and West Devon are two geographically different areas in the south west of Devon, but both Councils are committed to shaping the arrangements for local government in the south west of Devon, in order to deliver services and support residents, businesses and other organisations in facing future challenges. The Councils believe that the best option to achieve this is through the creation of a new, single district or borough council for the south west of Devon from April 2019.

NATIONAL CONTEXT

- 2.2 Since 2010 Local Authorities have been subject to increasing budgetary pressures and decreasing grant income from Central Government. This position is looking significantly worse for the future given the recent budget settlement.
- 2.3 To ensure that valued, local public services can continue to be delivered in the future, many Councils are looking at a range of solutions for addressing their budget gaps from outsourcing of services, establishing companies to deliver services to councils and sharing services between councils (as South Hams and West Devon are currently doing).

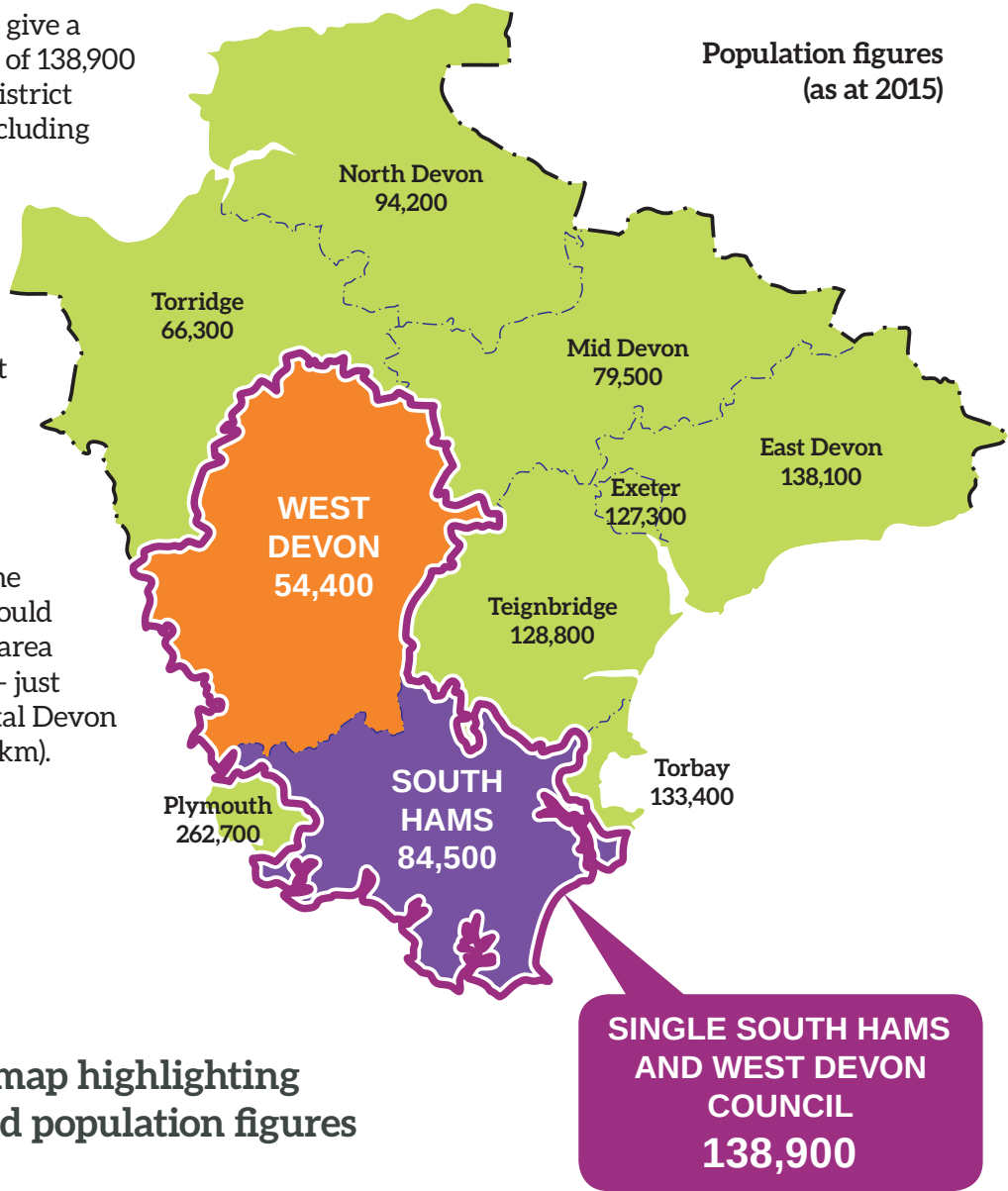
LOCAL CONTEXT

2.4 South Hams District Council and West Devon Borough Council have a strong history of working together to achieve savings and deliver services in a more efficient way. This history of working together since 2007 has resulted in a fully shared workforce and shared delivery of the majority of the Councils' services and the Councils have produced important joint plans and policies such as the Joint Local Plan, and have aligned, as far as possible, other supporting documents such as the enforcement policy. Councillors have also engaged with the close working relationship through joint member meetings and working groups which explore common themes across the two areas.

2.5 West Devon and South Hams are marked by their similarities rather than differences; as the map in 1a shows, the Councils share a common boundary and are both predominantly rural areas neighbouring larger urban areas such as Torbay and Plymouth. Both areas face similar challenges and opportunities for the future.

2.6 Currently West Devon serves the smallest population base of all Devon districts, whilst South Hams sits at mid-point. The map in 1a sets out the populations served by the Devon district and unitary councils ranked in order of size, and a single Council for South Hams and West Devon will give a combined population of 138,900 creating the largest district council in Devon, (excluding Plymouth Unitary Council) with 117 Parish and Town Councils.

2.7 The Map in 1a illustrates the current two Council areas in the South West of Devon with the proposed new Single Council area highlighted within the red boundary, and would cover a geographical area of some 2066 sq. km – just over a third of the total Devon county area (6711 sq. km).



1a - Devon districts map highlighting new council area and population figures

1b - Summary of Key Statistics



A HISTORY OF WORKING TOGETHER

- 2.8 The shared services programme has enabled the Councils to meet their financial obligations until 2018, and the creation of a Single Council is the next logical step enabling the delivery of a full range of services without cuts or long term reduction in quality. The Councils have saved in excess of £6 million per annum through sharing of staff and other costs (which includes £5 million from the T18 Transformation Programme). All of these savings and efficiencies have been achieved without external funding or changes in the Councils' governance structures.
- 2.9 West Devon Borough Council is currently forecasting a £1.1m budget gap by 2020/21, with South Hams forecasting a £0.8m budget gap for the same period. Both Councils acknowledge that there is no single solution to addressing the reduction in funding while maintaining services across the two areas, and a number of initiatives are being considered in parallel. To put this into context, West Devon has a net revenue budget of £7.4m in 2017/18 and South Hams has a net revenue budget of £8.3m for the same period.
- 2.10 The Councils are already exploring options around the future of their waste and street cleansing services in order to ensure best value for money. This may take the form of outsourcing some of those services or delivering them through a wholly owned company. The Councils are also due to consider a strategy to acquire commercial properties located across the UK in order to increase revenue income.
- 2.11 The initiatives set out above are not mutually exclusive to the formation of a single Council. Some of the above options could be enhanced by the creation of a Single Council – for example, if outsourcing frontline services was progressed for one larger Council, there would be increased savings due to economies of scale.

Benefits in creating a Single Council



3.1 A Single Council for South Hams and West Devon will provide the following benefits:

Value for money and financial savings

- 3.2 As set out in more detail in the financial section below, becoming a Single Council is estimated to generate up to a further £0.5m of annual savings, as well as protecting the annual shared services savings of £6m per annum across the two Councils. This is excluding any potential income resulting from an increased Council tax (which varies depending on the option for equalisation).
- 3.3 Becoming a Single Council will also mean releasing some capacity that is currently absorbed by serving two Councils (for example staff resources currently required in supporting two separate sets of council and committee meetings). This would enable a Single Council to focus on a single Accommodation Strategy (to generate new income to support services and to meet the funding gap) and for investing in communities. A single main office base will also deliver long term savings. It would also mean doing the best for residents in terms of using this capacity to maintain and improve service delivery, rather than spending time on complex or duplicated processes.
- 3.4 New income opportunities and savings will continue to be realised when contracts and system requirements come up for review, and dual arrangements can be replaced with a simpler, cheaper, single contractual relationship.

Simplification

- 3.5 Becoming a Single Council could be seen as a natural continuation of the shared service journey. The Councils are currently interdependent on each other due to the fully shared workforce and delivery of services. By removing the remaining complexities inherent in serving two bodies, a Single Council will be simpler to run and manage. Financial systems will be simpler, with single reporting requirements, and a removal of the need for reconciliation between different council budgets as is the case when running a shared operational service. Simplifying systems within the Council (accounting systems, committee support etc.) and reducing duplication of licences, subscriptions and memberships will free up taxpayers money that can be invested in services to our communities.
- 3.6 Whilst we would still want a physical presence across the whole of South Hams and West Devon with places for communities and businesses to access our services in different localities, the new Council would consider relocating to a single, centrally located head office.

- 3.7 There will also be staff capacity released resulting from supporting only one set of Council and Committee meetings and Councillors, and the removal of the duplication of reports and officer attendance, which will allow focus on the delivery of key projects and strategic priorities.
- 3.8 By applying consistent policies for business and communities across the wider geographical area, we would remove the requirement for staff to apply different policies in each Council area. This would be particularly beneficial for businesses that currently operate across both Council areas.

Democratic accountability

- 3.9 A Single Council would mean the retention of a democratically sound model, but with an end to the need for separate decisions on similar and shared issues by each Council, and this will result in more efficient decision-making on matters affecting the whole area. Residents, businesses and other organisations will benefit from simplified and single processes that a Single Council would enable.

Influence

- 3.10 A larger Single Council, with a bigger population and local economy and would allow us more influence on the regional or national stage. A Single Council in south west Devon would have a population of over 138,900, making it the largest district council in Devon, which will mean a stronger voice among our peers and central Government.
- 3.11 In particular, a larger Single Council would be a more significant organisation in the context of a devolved model of working, alongside fellow district, County and unitary authorities in the region and other partners with whom we want to pursue integrated working. This would be especially important when it comes to collaborating with services such as health and social care where, as a Council small enough to have strong local working relationships and knowledge, but large enough to deliver complex services competently, we could have a real impact on the lives of our residents and families.
- 3.12 A single larger Council will have the support of four Members of Parliament and 11 County Councillors whose support is currently split across the two areas, and this will make for a much stronger voice for the whole area locally, regionally and nationally.

Resilience

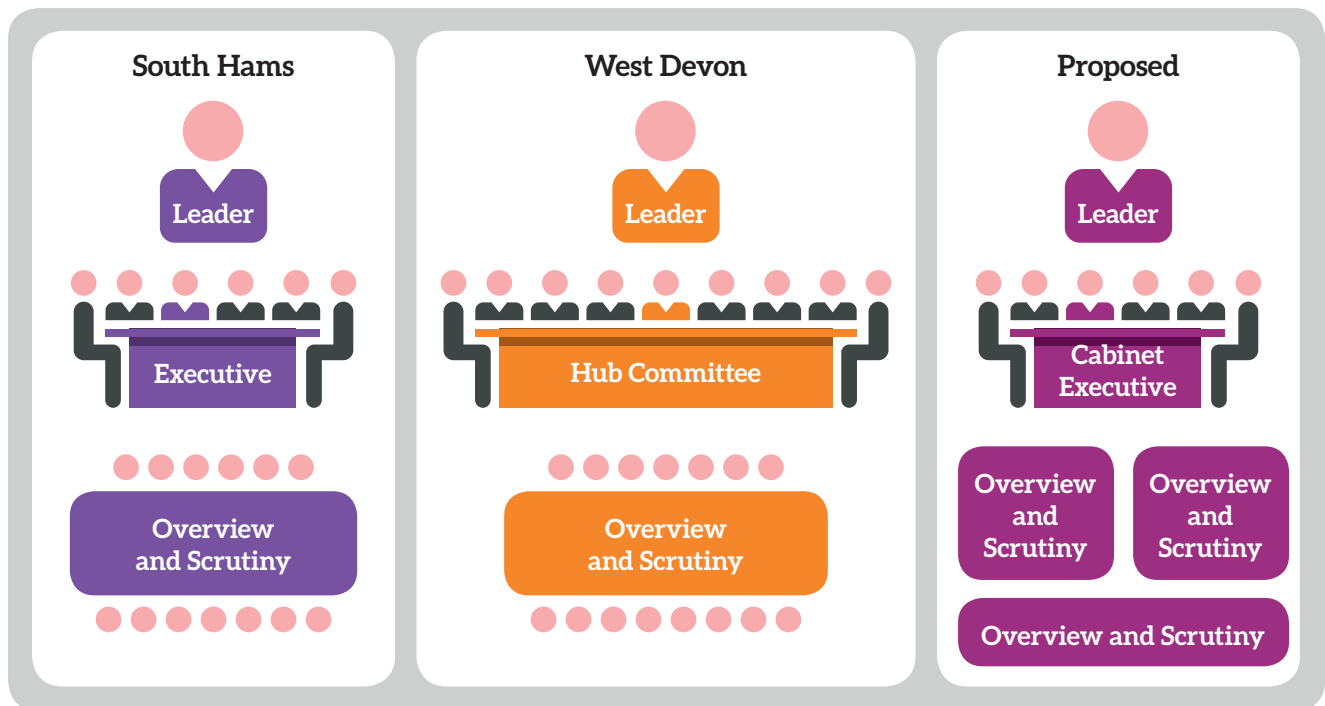
- 3.13 A Single Council will be a more resilient organisation than two smaller Councils in the future and therefore better able to face the significant changes and challenges that Local Government expects to face in the future.
- 3.14 A Single Council will be more resilient in the changing landscape of local government and pressures arising from changes to local government funding, such as the cuts in government grants, reductions in New Homes Bonus funding and the uncertainty of 100% Business Rates Retention (the timetable for the introduction 100% BRR is now unclear). This is explored further in the financial section later in this document.
- 3.15 A Single Council will have a solid governance structure going forward which will enable, rather than preclude, further sharing of services with other Councils in the future.
- 3.16 Equalisation of Council tax will, in the longer term, produce income that can be used to protect and invest in the Councils' communities and give the new Council a strong, resilient financial base for the medium to long term.

Council Governance and Councillors



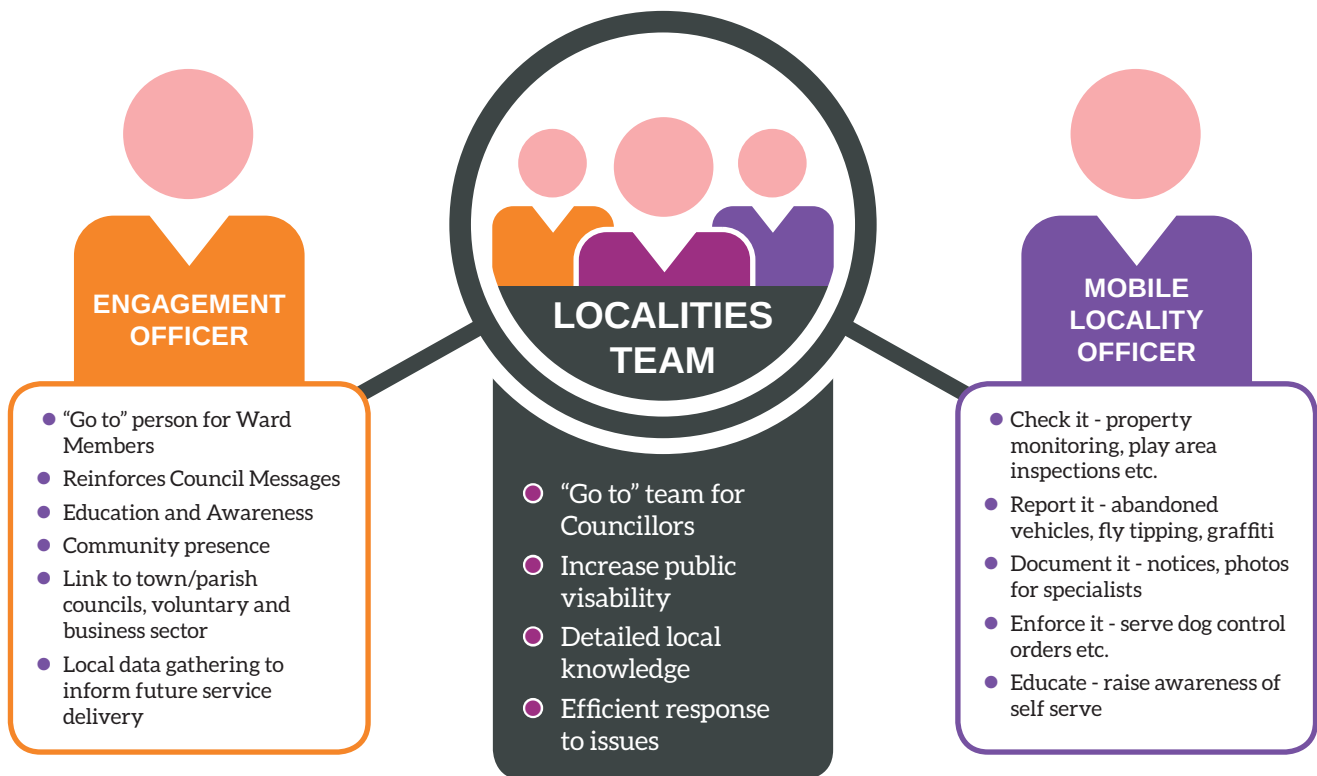
- 4.1 Whilst the Councils are currently separate entities who are required to make separate decisions with a separate budget, the Councillors already work together in several contexts, for example, the Joint Steering Group which considers the future of the Councils and the options available, joint member working groups and shared interests and priorities (such as for leisure services and the Joint Local Plan) shared induction and Councillor development programmes together with informal joint committee meetings on common issues.
- 4.2 There is no proposal to reduce the number of Councillors from the current 62 (31 in each Council) before the implementation date of 1 April 2019. The current number of elected Councillors can embed the strengthened local leadership role. The Government does have the power to amend the number of Councillors on the Council when deciding the Proposal, but our Proposal is that the current 62 are retained for the first few years, and the new Council will request the Boundary Commission to undertake a review in order that revised arrangements are in place for the 2023 elections. The Boundary Commission review will also present the opportunity to consider 'single Member' wards and the effective number of Councillors for the urban centres. It is likely the number of elected Councillors representing the new Council will be reduced by 2023.
- 4.3 Currently, South Hams operates a Leader with an Executive style of governance whilst West Devon operates a committee system. Governance arrangements are prescribed by law, and the new Council (because of its larger size) will have to operate executive arrangements. The proposal is that the new Council operates a Leader with a Cabinet, with the change in terminology signifying a positive change from both current structures. A Cabinet can comprise up to 10 Councillors, and whilst this is a matter for the new Council, the Proposal is that the Cabinet comprises between 6 and 8 Councillors in order to operate with maximum effectiveness. Individual portfolio holders will have defined decision-making powers (which will be decided by the new Council) such as debt write-off and award of community grants.

Diagram 4a – Governance



- 4.4 The new Council will retain a democratically sound model, but without the need for duplicated and separate decisions by the existing Councils on shared issues. The proposal is for a reduction in the overall number of council bodies for a Single Council (one Council, Cabinet, and Audit Committee) but there will be two Development Management Area Committees, and two or three Overview & Scrutiny Committees comprising of Councillors not on the Cabinet, with the opportunity for the O&S Committees being chaired by a member of the minority parties.
- 4.5 In forming the new Council, there is the opportunity to establish a new role for Councillors, in line with a modern approach to Local Government and with the opportunity to engage more positively with Parish and Town Councils. During the implementation of the new Council, we will seek the views of Town and Parish Councils in how they would envisage the Single Council working with them.
- 4.6 Residents' expectations are changing as a result of changes in technology and service delivery brought about by austerity measures. Many residents now look to engage with their local Council through social media platforms and expect a prompt response. The new Council will ensure that it maximises the opportunities offered through these platforms and ensure that Councillors have the training and tools to meet customer expectations.
- 4.7 The skill set for Councillors is shifting with a greater emphasis on connective, digital and reflective skills. A full induction programme for new Councillors will be developed through the implementation phase to support this.

Diagram 4b - How the Locality Team works



SUPPORT TO COUNCILLORS

- 4.8 A strong local presence and a shift to resolving customer issues at the front end of the business is a fundamental principle has been at the forefront of the T18 transformation programme and will continue to be a key principle of the new Council. The Councils currently operate a Locality Team comprising ‘on the ground’ officers, and it is proposed that the Single Council area will be divided into geographic zones with all Councillors having an identified Locality Officer as their “Go To” person for local problem-solving and community liaison. The Locality Officers patrol their geographic areas in Council-branded vans, and carry out a wide range of tasks for many Council services (such as issuing enforcement notices, reporting fly tipping etc.).
- 4.9 Locality Officers are an important link with both Councillors and the Community with the aim of early identification and resolution of issues, and the role of the Locality Team is pivotal in demonstrating strengthening local leadership and will become increasingly important in ensuring local presence and engagement in the communities served by a Single Council with a large geographical area.

ENGAGEMENT WITH TOWN AND PARISH COUNCILS

- 4.10 During the implementation phase, the Councils will work closely and positively with Town and Parish Councils, to ensure that their voice is heard in the larger geographical area and that local connections are enhanced and not lost.
- 4.11 The Councils will explore opportunities for Town and Parish Council sustainability, building capacity and capability, including the development of clustering arrangements to ensure better representation and influence and, potentially, an increase in services delivered locally.

Our Workforce



- 5.1 All staff (currently 430.5 full time equivalents) employed by South Hams and West Devon would transfer to the new Council on its first day, 1 April 2019, delivering the same services for the Single Council.
- 5.2 As part of the T18 transformation, the Councils already have a fully shared, customer-focused workforce which understands, and has extensive experience of, the South Hams and West Devon areas, and its residents, communities, businesses, and other organisation including Town and Parish Councils.
- 5.3 The Councils' current shared workforce has already realised significant savings efficiencies, and while there are no plans to undertake further large-scale transformation of the services delivered by a Single Council, there is scope for reducing the duplication currently necessary in supporting the governance structures of the two Councils. It is estimated that this could realise up to £0.5m of savings a year from 2020.



Accommodation and Assets



- 6.1 A Single Council would have an Asset Base valued at over £95m. These assets are in full ownership of each respective Council, such as car parks, green spaces, head office and other operational buildings – such as the Dartmouth Ferry / Salcombe Harbour, depot locations, public conveniences, potential development sites and non-operational property - such as industrial units and investment land. Non-operational land typically generates income for the two respective Councils, as do some parts of head office locations which are let to third parties.
- 6.2 At present, the two Councils have customer facing locations at Tavistock and Totnes, along with a customer service centre at Okehampton. Limited customer interactions take place at the Council owned and operated depot sites in the South Hams.

OPTIONS REGARDING THE OPERATIONAL BASES

- 6.3 If Members opted to form one Single Council, the new Council could consider:
- A comprehensive review of the Councils' operational locations
 - Combining operational assets of both Councils
 - Increased partnership working closer to communities, with officers or committees co-locating with other public bodies (e.g. the police, the NHS, DCC, Town Councils) or in community buildings to reduce or avoid the need for customers / staff / Members to travel large distances to conduct Council business
 - Devolving certain decisions to other bodies reducing the need for physical premises in certain areas
 - The potential disposal and/or redevelopment of the two head office locations
- 6.4 Both Councils already have a flexible workforce who can work from any location. Assuming that the needs of the single Council differ to that of the existing organisation, it is likely that the Council will require a smaller 'footprint' of dedicated floor space. Options available include:
- Full letting of existing buildings to third party organisations
 - Redevelopment of the head office site(s)
 - Disposal of certain buildings
 - Remain as is
- 6.5 Any change to the property strategy would need to be carefully considered, costed and consulted upon and therefore major changes are unlikely to be appropriate in the short term.

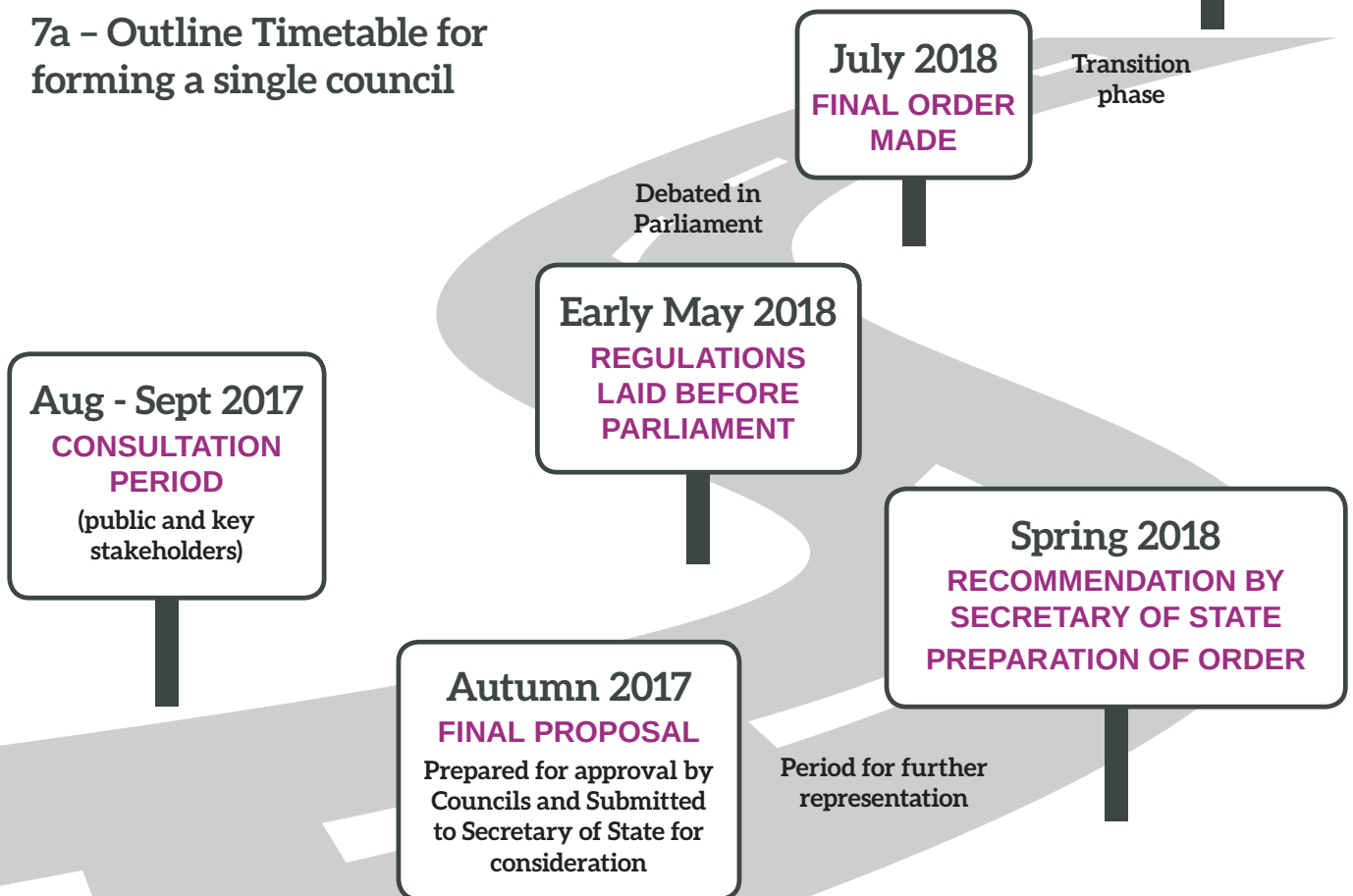
Timescales and Process



- 7.1 The Proposal is to form a new Council on 1 April 2019 with elections to the new Council in May 2019 based on the existing number of Councillors (31 from each Council).
- 7.2 The Proposal does not impact adversely on service delivery as South Hams and West Devon already have a shared workforce and customers are unlikely to notice a difference in the delivery of services. There will still be a physical Council presence across both South Hams and West Devon with places for communities and businesses to access our services in different areas. It is only the governance arrangements that would be affected.
- 7.3 The following diagram sets out the indicative timetable for consultation on the Proposal, the submission of the final Proposal and for decision by the Government as to whether a Single Council will be created:

1 April 2019
NEW SINGLE COUNCIL
 formally comes into being

7a - Outline Timetable for forming a single council



Public Engagement



8.1 The Proposal must also demonstrate that the Councils have consulted on the Proposal; it is a matter for individual councils to decide how to engage with local people, businesses and organisations. There is no statutory requirement for a referendum or to consult in a particular way for a particular period, however, the Proposal must include evidence of support for a new Council from the County Council and local Members of Parliament. If approved, a consultation will take place from early August to the end of September 2017, during which period the Council will:

- Publish a summary of the proposal which will also include specific questions which our residents, local businesses, public sector partners and other partner organisations can answer. Please see Appendix B
- Set up a dedicated website called 'One Council' featuring the proposal documents, frequently asked questions, and on-line survey
- Commission a statistically sound telephone survey of residents and businesses across South Hams and West Devon
- Engage with the public through attending a number of events and briefing sessions throughout both Council areas over the summer to capture additional responses to the public consultation
- Issue 'One Council' newsletters to residents, local businesses and public sector partners & other partner organisations
- Issue press releases and engage the public through social media
- Engage with neighbouring Councils and other key stakeholders, public sector partners and other partner organisations (such as Dartmoor National Park, Devon and Cornwall Police etc.) on the proposal.

Financials



IMPLEMENTATION COSTS

- 9.1 There would be up-front costs in forming the new Council but these are likely to be significantly less than many similar council reorganisations as the services transferring into the Council have already been through significant transformation, staffing levels have been reduced and new case management systems implemented.
- 9.2 Based on forming the Council from 1 April 2019, the majority of costs would be incurred in 2019/2020 financial year. There would however potentially be some ongoing costs in respect of redundancy and pension strain costs for a further 3 years.
- 9.3 We estimate that the costs of forming the Single Council would be £325,000 which would include:
- Specialist Advice and financial modelling for this Proposal and a Single Council
 - Project Management Support to ensure the smooth transition to the new Council
 - A temporary website for the consultation phase, random telephone survey and a programme of face to face questionnaires undertaken by Locality Engagement Officers as part of their current roles. In addition there would be a series of local meetings with Town and Parish Councils to discuss the proposal
 - Cost of data transfer from individual Council systems into single versions of the systems
 - Communications and branding including design of new council logo, creation of new website, rebranding of signs at Head Quarters
 - Legal support for novation of existing supplier contracts to the new Council
 - Staff redundancy cost. These would be in line with the currently aligned redundancy policies for South Hams and West Devon Councils. This is likely to be less than 10 employees. The Senior Leadership Team would seek to significantly reduce the overall requirement for redundancy through active vacancy management in the years prior to going live with the new Council.

Planning and Implementation costs	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Advice and modelling for Council Tax	3,000	3,000	4,000				
Project Management and Support	15,000	15,000	15,000				
Public Consultation	12,500	2,500					
IT costs		25,000	25,000				
Communications Support / Branding / Website etc		5,000	10,000				
Remodelling council finances etc		25,000	10,000				
Legal, including novation of contracts		10,000	5,000				
Redundancy and pension strain costs			85,000	20,000	20,000	15,000	
Implementation Costs (one-off)	30,500	85,500	154,000	20,000	20,000	15,000	0
Total Implementation Costs							£325,000

9.4 The costs are relatively low for the formation of a Single Council compared to other Councils. This is largely down to South Hams and West Devon already sharing their services, systems and processes. Information on the payback period for this costs is provided in Section 9.19 of this report.

POSITION FOR THE CURRENT SOUTH HAMS DISTRICT COUNCIL AND WEST DEVON BOROUGH COUNCIL

- 9.5 The scale of the financial challenge is shown in Section 1.5. The predicted budget gaps for the Councils by 2020/21 are £0.8m for South Hams and £1.1m for West Devon. This includes savings realised as part of the T18 transformation programme which has now largely concluded. This is shown in detail in 1.5.
- 9.6 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. Both Councils applied and were accepted for the four year agreement. By 2018/19 both Councils receive no Government funding (Revenue Support Grant) and the Councils will need to be financially self-sufficient. Both Councils' Settlement Funding Assessment (Revenue Support Grant and funding from Business Rates) is reducing by over 37% between now and 2019/20.
- 9.7 From working in a shared services partnership and from the joint transformation programme, South Hams is annually saving £3.9 million a year and West Devon £2.2 million a year. The proposal for a Single Council would build upon an existing shared workforce and joint working. With unprecedented pressures on Local Government budgets and Councils needing to become 'self-financing', a proposal for a single Council would assist the Councils to retain their financial viability in the future, to safeguard the services delivered.

- 9.8 The proposal for forming a single council aims to reduce fragmentation of the current operating system and enhancing future financial sustainability of the Councils. South Hams and West Devon predict that the creation of a single council could save up to £0.5m every year. This is excluding any potential income resulting from an increase in Council Tax. It could go a long way to bridging the funding gap to provide a sustainable future for both Councils. These savings would not be made through cuts to services, but because a single council will cost less to operate.

BUSINESS RATES AND FAIRER FUNDING REVIEW

- 9.9 It is normal for new Councils formed to operate with aggregated baselines and funding from pre-existing Councils. If new Business Rates and funding baselines are set in 2019-20, it is likely that the new Council will receive its own baseline – not necessarily aggregated. The Fair Funding Review will also create new baselines which could be higher or lower. This needs to be noted as a risk in the proposal as at this stage we don't know enough about how the Government will reset baselines to quantify the risk.

ASSET STRATEGY

- 9.10 Section 6 of this Proposal sets out that the new Council will need to develop its Asset Strategy. Additional income could be achieved in the medium term by letting out the current space utilised by the Councils' staff, however this would only be achieved if the Council found other premises and these would require funding. No figures for savings or income relating to assets have been modelled into the proposal, as such changes will only be considered by the new Council.
- 9.11 Appendix D presents a summary of a new, Single Council Balance Sheet based on the 2016/17 Unaudited Statement of Accounts.

RELEASE OF RESERVES

- 9.12 South Hams currently has £1.8 million of Unearmarked Reserves (£8.3 million net budget) and West Devon currently has £1.1 million of Unearmarked Reserves (£7.4 million net budget) – i.e. £2.9 million across both Councils.
- 9.13 A combined Council (with a net budget of less than £16 million) could hold less reserves as the larger size of the new Council allows some of the reserves to be released because risk is pooled over a larger authority. If reserves were held of say 15%, this would equate to £2.4 million. This could allow the combined Council to set aside a sum of money (e.g. £350,000 say) to be ring-fenced for the sole benefit of residents in South Hams. This could be for a number of things – e.g. a grants scheme for residents to apply to and options could be considered by Members.
- 9.14 The table below shows the level of Unearmarked Reserves and Earmarked Reserves for both Councils.

Level of Revenue Reserves	South Hams District Council (£)	West Devon Borough Council (£)	Combined Single Council (£)
General Fund (Unearmarked) Reserves	£1.765m	£1.125m	£2.89m
Earmarked Reserves	£13.074m	£3.732m	£16.806m
TOTAL	£14.839m	£4.857m	£19.696m

- 9.15 The creation of a new single Council would enable a fundamental review of earmarked reserves and balances held by the two separate Authorities. Where the Councils hold Earmarked Reserves for the same stated purpose, a single Council approach could entail consideration of revised and potentially lower levels for these.

CAPITAL FINANCE CONSIDERATIONS

- 9.16 A new single Council would need to fundamentally review its capital programme priorities and funding. Capital financing considerations would form an element of this. There could be some potential to review the treasury management strategy of the single Council, as the new Council would have access to greater volumes of cash and varying profiles.

PENSIONS

- 9.17 An actuarial report was commissioned by the Councils' actuaries confirms that a combined employer pension contribution rate that would apply to a new combined Council.
- 9.18 The combined rate for a single Council is 14.2%. Modelling the new combined rate gives a small saving of £7,000 per year on the pay bill for the single Council for employer pension contribution rates. This is based on the single Council taking on responsibility for all historic liabilities. This has not been shown in the modelling as it is virtually a stand still position to what both Councils pay now.

PAYBACK PERIOD AND FINANCIAL SUMMARY

- 9.19 The following table summarises the costs and savings as a result of implementing a single Council across South Hams and West Devon. The one-off investment costs of £325,000 are paid back within the first year (2019/2020).

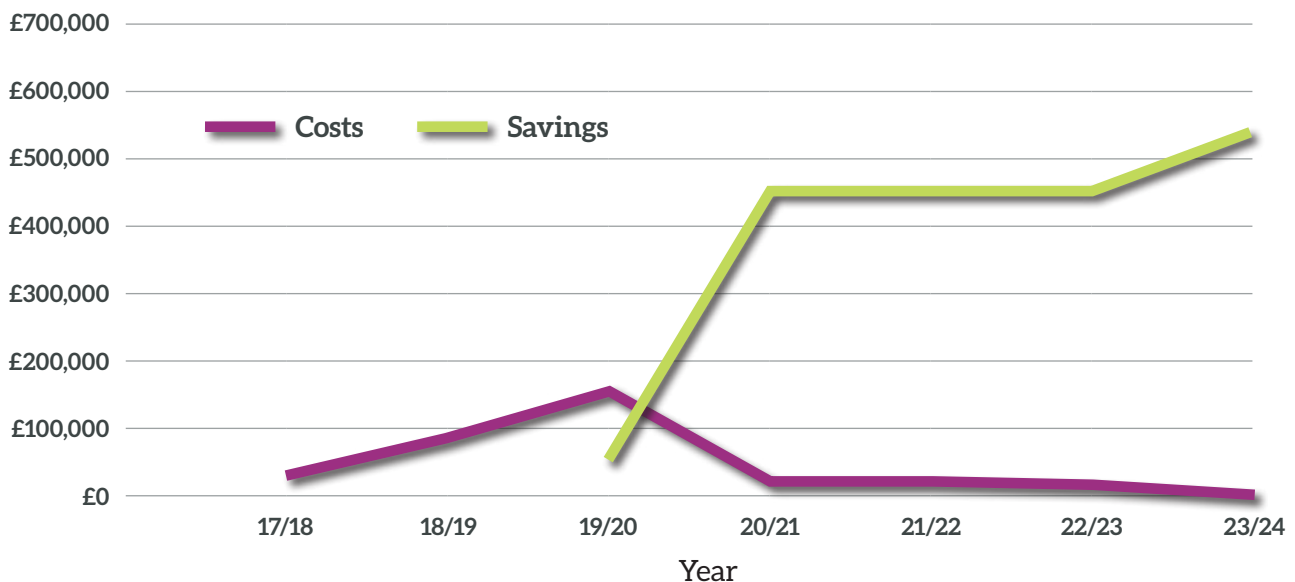
Financial Summary	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Planning and Implementation Costs (one-off)	30,500	85,500	154,000	20,000	20,000	15,000	0
Annual Efficiency Savings	0	0	-60,000	-455,000	-455,000	-455,000	-540,000
Increased Income from Council Tax equalisation (Option 5 shown for illustrative purposes only)			-800,000	-1,600,000	-2,500,000	-2,200,000	-1,900,000
Net cost/income	30,500	85,500	-706,000	-2,035,000	-2,935,000	-2,640,000	-2,440,000

Option 5 for council tax equalisation is modelled as an example for illustrative purposes.

- 9.20 The table above shows that by 2019/2020, the net income position is £706,000 for the Single Council and this rises to £2.035 million by 2020/2021 (using Option 5 for equalisation of council tax for illustrative purposes). By Year three (2021/22) the net income raised is £2.935 million and then this would fall to £2.44 million by Year 5 if council tax was frozen by the Single Council in Years 4 and 5.



Implementation Costs and Savings



- 9.21 Modelling of one-off costs of planning and implementation are predicted to be £325,000 (spread over a number of years from 2017/18 to 2022/23) as above. Savings of up to £0.5 million a year are predicted. These savings are not service cuts and would be from efficiencies from back-office costs. The number of staff posts affected would be in the single figures (i.e. less than 10) and would be minimised as much as possible from natural turnover.
- 9.22 There would be benefits from the scale of a single council seen through increased leverage when looking to purchase goods and services and delivering services across a single geographical area.
- 9.23 Savings would be realised from the first year of the Council's operation. While the financial modelling assumes no reduction in Councillors until 2023/2024, there is the potential for interim measures from the 2019 elections which would generate some savings earlier.

COUNCIL TAX EQUALISATION

- 9.24 Appendix E sets out possible options for the equalisation of Council Tax. There are many different ways in which this could be achieved. There is currently a £62.97 difference in Band Council D Tax levels between West Devon (£218.39) and South Hams (£155.42) for 2017/18. The number of years over which Council Tax can be equalised can be anywhere from 1 to 5 years.
- 9.25 The options in Appendix E have been considered by the Joint Steering Group and their preferred Options are Options 5 and Options 5a. Appendix F evaluates these two options in more detail and shows in a graphical format the council tax income yield from each of these options, in comparison to the council tax income yield already modelled into each Councils' Medium Term Financial Position (MTFP).
- 9.26 The preferred options of the Joint Steering Group for equalising council tax are Options 5 and 5a.

	Option 5	Option 5a
WDBC Annual increase in Band D - This sets out the impact on West Devon residents	£5 increase in West Devon Band D each year for first three years; then frozen for Year 4 and Year 5	£5 increase in West Devon per year for each of the 5 years
SHDC Annual increase in Band D - This sets out the impact on South Hams residents	£25.99 increase in South Hams Band D each year for first three years (16.2% increase), then frozen for Year 4 and Year 5	£17.59 increase in South Hams per year for each of the 5 years
Value of Band D that is equalised to by Year 5 (2023-24)	£238.39 by 2021-22	£248.39 by 2023-24
Equalisation period	3 years	5 years
Council tax threshold	Exceeds council tax threshold	Exceeds council tax threshold

- 9.27 The table below further shows the impact on South Hams residents of the council tax equalisation by bands.

Effect of South Hams Council Tax Increase	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Ratio to Band D (9ths)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
Option 5 - Council Tax Increase £25.99 (Band D) per annum for 3 years and then a council tax freeze for 2 years	£17.33	£20.21	£23.10	£25.99	£31.77	£37.54	£43.32	£51.98
Option 5a - Council Tax Increase £17.59 per annum for 5 years	£11.73	£13.68	£15.64	£17.59	£21.50	£25.41	£29.32	£35.18

Risks and Opportunities



10.1 There are a number of risks and opportunities associated with implementing a single new council across South Hams and West Devon which will be critical considerations in implementing a Single Council.

RISKS

- 10.2 **One partner does not agree to Single Council Proposal and a reputation risk if Government intervention is necessary:** if one Partner Council does not agree then there is a significant risk that the Council will not attain financial sustainability as a combination of measures are required. If there is Government intervention then this will have a reputational risk for the Council, and have adverse financial impact and limit the control of the Council in relation to its own future.
- 10.3 **Not meeting the timetable for submission:** if the Council has not agreed to submit proposals to the DCLG by the Autumn it is likely that there will be no parliamentary time to consider such proposals during the current parliament which will mean that the Council may not achieve the financial sustainability it needs. A timetable has been drafted to ensure that the Council submits the proposal in time for DCLG consideration.
- 10.4 **Not accepting the proposal and delays at DCLG:** whilst we have received strong indications that the DCLG supports proposals for single councils between two or more authorities, there is no guarantee that the DCLG will accept the proposal and issue the appropriate regulations to enable us to proceed. If there are delays in the timetable by the DCLG then it is likely that the regulations would not be made in the summer of 2018. Delays after this are likely to mean that there is insufficient parliamentary time to consider proposals for a single council until during this parliament. This is outside the control of the Council.
- 10.5 **Customer remoteness from Council Offices:** there would be no immediate changes to the office locations however a priority for the new council would be to develop its asset strategy and consider locations for service delivery. Although the council will continue to enhance its digital and online access routes, local presence will be important. The Locality Team will play a critical part in ensuring a presence across the area.
- 10.6 **Expected financial benefits are not realised:** The savings identified in this report are considered to be robust. Where savings or increased income are likely but not quantifiable, these figures have not been included in the calculations. Delivering services through one Council may also provide future opportunity to consider how services are delivered across the new area – for example, aligning our Waste service across the area (South Hams currently in house West Devon Outsourced).

- 10.7 Confusion for residents, businesses and partners during the implementation of the new council / Adverse response to consultation:** A detailed and extensive communications and engagement plan has been developed to ensure that all stakeholders are clear on the changes. In reality, there should be very little difference – other than the change of name of the new council and new bank account etc. From the point of decision by DCLG, we would have 8 months to implement the new Council to be ready by 1st April 2019, during which we would communicate through a number of channels.
- 10.8 Uncertainty around future external environment:** Having recently concluded a general election and now entering into Brexit negotiations, Local Government is still in a period of uncertainty however our Medium Term Financial Strategy sets out clearly the financial positions for both Councils and action needs to be taken to ensure future sustainability of services. A single new council will have greater resources available to it and will therefore be more resilient and more able to adapt to future challenges.
- 10.9 Political change and conflict between the Councils:** Councils are political organisations and the current Partnership between the two councils carries significant risk to its sustainability in the event of conflict arising in the event of political change, or through conflict arising between the councils. This risk could result in the breakup of the partnership arrangement and the loss of the shared services savings to date, causing intolerable financial pressure for both Councils and this risk would be mitigated by the creation of a single Council.

OPPORTUNITIES

- 10.10 A Single Council will support the Government's principles for a Single Council by providing the opportunity for:

Improved local public services

- Releasing capacity through serving a Single Council which can be refocused on maintaining and improving services to our residents and businesses
- Longer term financial stability will enable the delivery of further services
- Greater and consistent democratic accountability through a single and simplified decision-making model for the whole area
- A simplification in the relationships with other organisations as a single voice
- By applying unified and consistent policies for business and communities across the wider geographical area.

Greater value for money

- Protecting the annual shared operating savings of £6 million per annum
- Removing the complexities inherent in serving two councils; a single Council has less complex and administration
- A greater income potential from a single asset strategy across the area
- Contributing to financial sustainability and enabling self- sufficiency

Stronger local leadership

- Influence, locally, regionally and nationally as the largest district Council in Devon
- Having a stronger voice in the context of the Devolution programme
- The combined support of four Members of Parliament and 11 County Councillors whose support is currently fragmented across the two areas with potentially diverse views and interests
- Local, and faster, decision-making by Councillors of the Cabinet with defined portfolio powers
- Increased community focussed roles for non-cabinet Councillors

Cost savings

- Generating annual savings of up to £0.5 million that are currently spent on supporting two separate Councils
- New income when contracts and systems requirements come up for review, and dual arrangements can be replaced with a cheaper single contractual relationship
- Focus on a single asset strategy to generate new income, and one main office base will deliver long term savings
- Income generation from increased Council Tax after a period of harmonisation which will contribute towards the funding gap and improving valued services.
- By only operating a single financial system with one set of accounts and one Audit of accounts

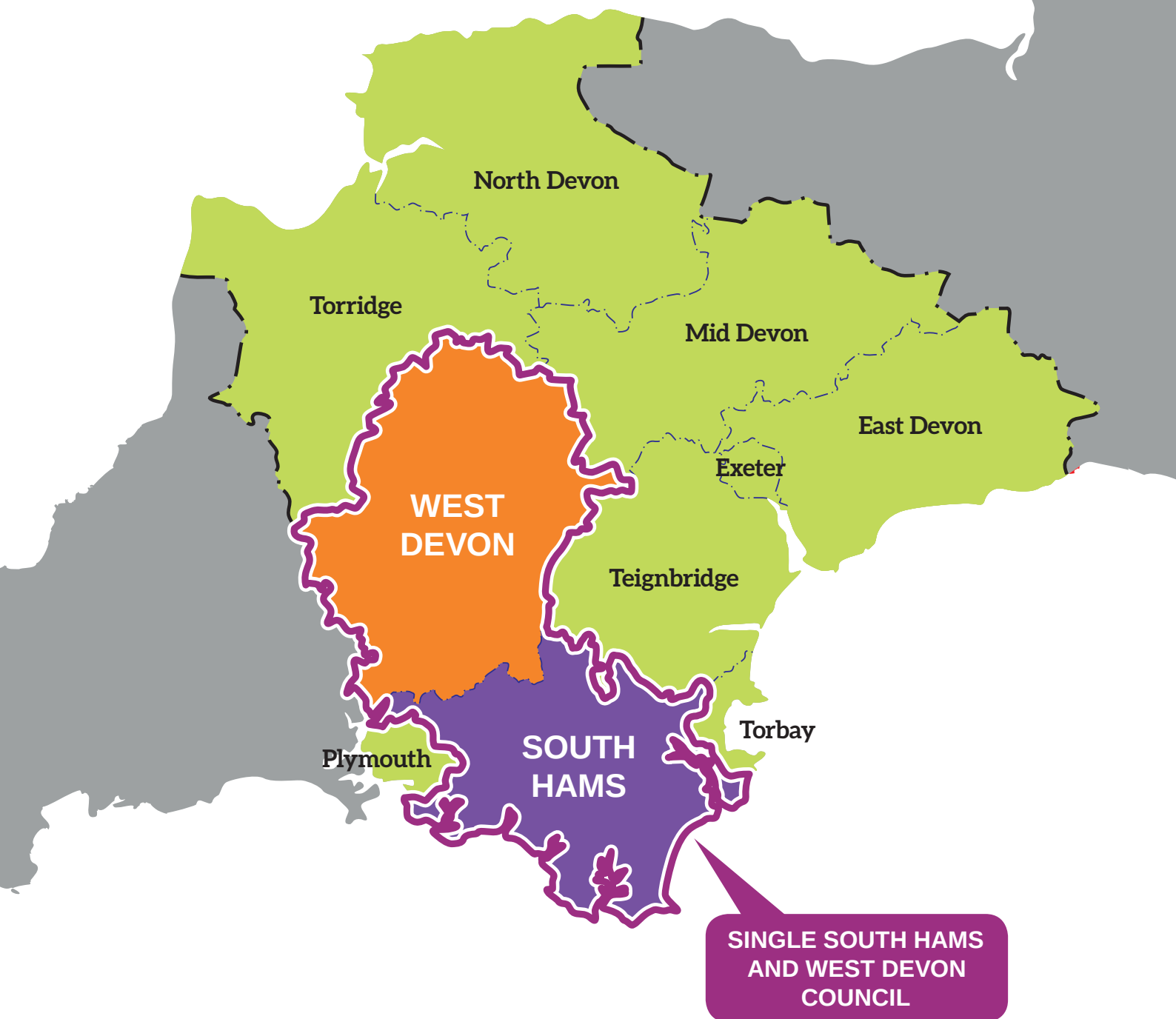
A sustainable future

- Increased income, in the longer term, from the equalisation of Council Tax to give the Single Council a strong, resilient financial base
- The sustainability of existing valued services and the opportunity to deliver further services
- A stronger base for future collaborative working with other organisations.

Appendices



APPENDIX 1 – MAP SHOWING PROPOSED COUNCIL AREA



APPENDIX 2 – ANALYSIS OF CURRENT COUNCILLORS AND POPULATION SERVED

SOUTH HAMS DISTRICT COUNCIL 2017			
Ward	Cllr Numbers	Electorate	Per Cllr
Allington & Strete	1	2416	2416
Bickleigh & Cornwood	1	2287	2287
Blackawton & Stoke Fleming	1	1840	1840
Charterlands	1	2257	2257
Dartington & Staverton	1	2090	2090
Dartmouth & East Dart	3	6361	2120
Ermington & Ugborough	1	2216	2216
Ivybridge East	2	4322	2161
Ivybridge West	2	4748	2374
Kingsbridge	2	4579	2289
Loddiswell & Aveton Gifford	1	2161	2161
Marldon & Littlehempston	1	2305	2305
Newton & Yealmpton	2	4984	2492
Salcombe & Thurlestone	2	4085	2042
South Brent	2	4205	2102
Stokenham	1	2223	2223
Totnes	3	6747	2249
Wembury & Brixton	2	3774	1887
West Dart	1	2068	2068
Woolwell	1	2310	2310
Wards x 20	31 Cllrs	67978 Total Electorate	2193 Av per Cllr

WEST DEVON BOROUGH COUNCIL 2017			
Ward	Cllr Numbers	Electorate	Per Cllr
Bere Ferrers	2	2972	1486
Bridestowe	2	2611	1305
Buckland Monachorum	2	3057	1528
Burrator	2	2964	1482
Chagford	1	1232	1232
Dartmoor	1	1414	1414
Drewsteignton	1	1429	1429
Exbourne	2	3109	1554
Hatherleigh	2	2404	1202
Mary Tavy	1	1377	1377
Milton Ford	1	1515	1515
Okehampton North	3	4003	1334
Okehampton South	2	2940	1470
South Tawton	1	1609	1609
Tamarside	1	1432	1432
Tavistock North	3	3778	1259
Tavistock South East	2	3038	1519
Tavistock South West	2	2982	1491
Wards x 18	31 Cllrs	43866 Total Electorate	1415 Av per Cllr

APPENDIX 3 – DETAILS ABOUT SOUTH HAMS DISTRICT COUNCIL AND WEST DEVON BOROUGH COUNCIL

South Hams

South Hams is the fifth largest geographical district in Devon in both size and employment terms and has the highest business density. Due to the location of Dartmoor National Park within the district's borders, the coastline having Area of Outstanding Natural Beauty status, as well as a number of popular tourist attractions, tourism plays an important role in the South Hams economy. The area's roles are reflected in its sectoral structure as is South Hams' employment specialism in manufacturing.

South Hams has a low population density of 1.04 persons per hectare (the England average is 4.1), and only 4 of South Hams' 61 parishes, have a population density above this average.

South Hams District Council has its administrative centre in Totnes and has 31 Councillors across 20 wards serving 84,500 people - an average of 2,193 electorate per Member.

West Devon

West Devon is the largest geographical district in Devon and is predominantly rural, with almost half of its area falling inside Dartmoor National Park boundary. The Borough is sparsely populated and has a high employment rate, boosted by high self-employment and out-commuting. The accommodation and food sector is highly represented, reflecting the large visitor economy generated by the National Park. Workplace wages in the district are exceptionally low (just 75% of the national average) and therefore many travel outside the district to access higher paid employment.

The Borough has a low population density of 0.5 people per hectare, considerably below the English average of 4.1, with only three of the Borough's 55 parishes with a population density above this average.

West Devon Borough Council's offices are in Tavistock; however as the majority of employees are shared between both Councils, office based services are largely delivered from the South Hams office in Totnes. The Council also has a small office and customer service centre in Okehampton. West Devon comprises 31 Councillors across 18 wards serving 54,400 individuals with an average of 1,415 electorate per Member.





South Hams District Council
Follaton House, Plymouth Road,
Totnes, Devon, TQ9 5NE
www.southhams.gov.uk



**West Devon
Borough
Council**

West Devon Borough Council
Kilworthy Park, Drake Road,
Tavistock, Devon, PL19 0BZ
www.westdevon.gov.uk

www.onecouncil.org.uk



One Council

A proposal from South Hams and West Devon



WHAT IS THE PROPOSAL?

This proposal, to create one single new council to serve the areas currently managed by South Hams District Council and West Devon Borough Council, is one of several measures that we are considering to help us close a £1.9 m gap in our finances.

This is a top priority for both councils. If either of us cannot set a balanced budget, there would be severe financial consequences for both of us because we already share one workforce.

If this were to happen we may lose the ability to set our own future path.

In the proposal, which is one of a number of measures the councils are considering to close the funding gap, South Hams and West Devon predict that the creation of a single council could save up to £0.5 m every year. This is excluding any potential income resulting from an increase in Council Tax. These savings would not be made through cuts to services, but because a single council will cost less to operate.

Both councils have shared a Chief Executive since 2007 and now we also share a joint workforce with many of our policies and procedures aligned. However, during this time the political structures and decision making processes of the two councils has remained completely separate. This means that we still have two Leaders, two sets of councillors, two sets of accounts and two sets of political meetings.

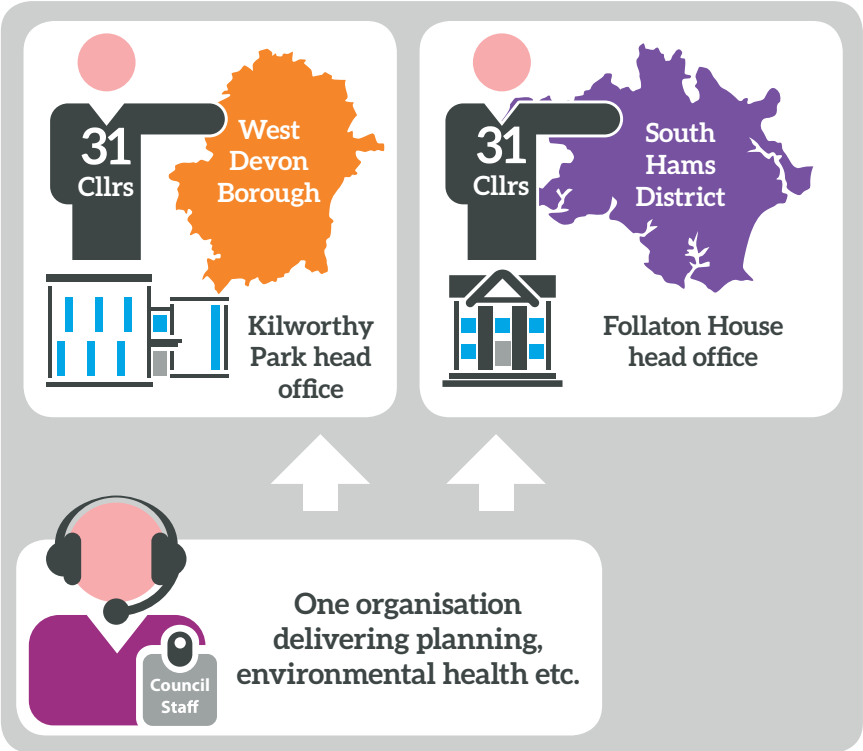
This is a proposal to bring the two political structures together, a natural continuation of the shared service journey that both authorities have been on. It also looks at further savings that could be made by reducing the number of councillors and combining our assets.

HOW IT WORKS NOW

County

Devon County Council - health, schools, recycling centres etc.

District / Borough

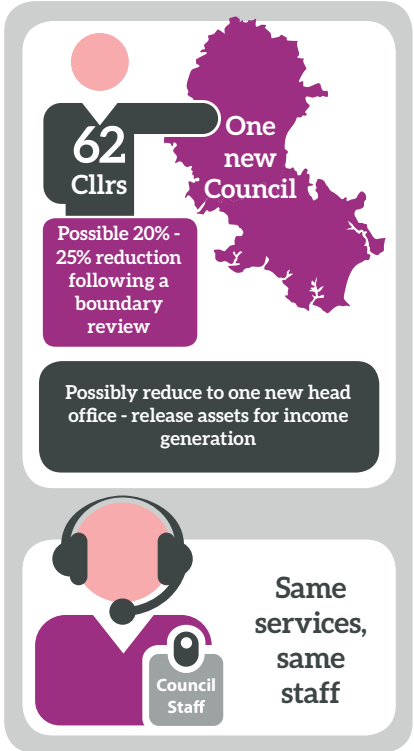


Parish

Parish Council - local issues etc.

THE PROPOSAL

Devon County Council - nothing would change



Parish Council - nothing would change

This proposal lays out how we think the creation of one council would work and how the efficiencies would be achieved. It also includes a timeframe for getting approval from the Secretary of State.

However, before we finalise our proposals and submit them to the Secretary of State who will decide if we can set up a new council, we want to know what you think.

Your opinion will help the secretary of state make a fully informed decision when we submit the proposal later in the year.



Cllr J Tucker
Leader,
South Hams
District Council



Cllr P Sanders
Leader,
West Devon
Borough Council



Cllr S Wright
Deputy Leader,
South Hams
District Council



Cllr L Samuel
Deputy Leader,
West Devon
Borough Council

We want to hear your views

One Council

for South Hams and West Devon



HOW TO HAVE YOUR SAY

From x August until x we will be asking for your opinion. During which time we will be asking you to respond to **6 questions about the proposal.**

(See the questions and more information about the proposal below)

You can access the proposal and the consultation survey via a dedicated website www.onecouncil.org.uk

So that you can ask us and our officers' questions, we will be holding briefing sessions at the following times and venues:

TOWN / VILLAGE	DATE OF EVENT	EVENT
<h2>Details of events to go here</h2>		

You may also get a call from x who are conducting a phone poll on our behalf. They have randomly selected a representative group of people from South Hams and West Devon and will be asking them the same 6 questions.

To stay informed of the process, please do sign up for our dedicated **One Council** newsletter:

(SIGN UP)

www.onecouncil.org.uk

Follow us on twitter and facebook and join in the discussion



#SHDC #WDBC
#ONECOUNCIL



Southhamsdistrictcouncil
Westdevonboroughcouncil



WHY DO WE NEED TO CREATE ONE COUNCIL?

Since 2010 there have been huge pressures on all local government budgets, not just locally but across the country. All councils are being asked to find ways of funding themselves and not to be reliant on funding from central government.

South Hams and West Devon are facing a combined funding gap of £1.9 million by 2020. If we don't make changes, the essential services that you rely on will be at risk. To date, neither authority has cut statutory services, those services that the councils are required to provide by law.

However, it is essential that we make changes now and find better ways of using our resources, or risk having to reduce the levels of statutory services that we currently provide. If either council are unable to close the funding gap, central government could take control of our future and make decisions for us.

At South Hams and West Devon we have always been at the forefront of change in local government, embracing new working practices in order to maintain financial stability without cutting front line services.

In 2007 we were the first local authorities to share a Chief Executive and we now share one single workforce. Over the years this arrangement has delivered a number of efficiencies, but these savings alone have not been enough to secure our future.

In 2013 we embarked on an award winning transformation programme (T18) which radically altered the way the organisation is structured. The purpose of T18 was to enable both councils to meet their financial obligations up until 2018. With the introduction of new technology and more online services, we got rid of the old council silos, created a more flexible workforce and delivered a combined saving of £5 million.

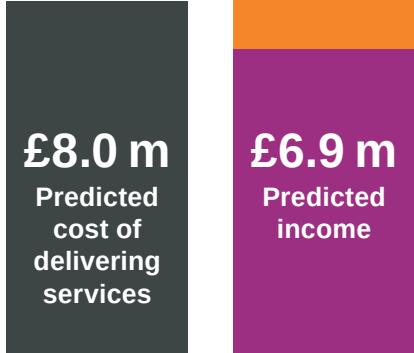
However, with further cuts to our central government grant and the reduction of new homes bonus funding, we are once again facing a combined £1.9 m funding gap by 2020.

£0.8 m
9% budget gap



South Hams District Council
Predicted budget for 2020/21

£1.1 m
14% budget gap



West Devon Borough Council
Predicted budget for 2020/21



THE PROPOSAL TO CREATE ONE COUNCIL

At South Hams and West Devon we are marked by our similarities, we share a common boundary and our areas are both predominantly rural which neighbour more urban areas such as Torbay and Plymouth. Both of us face similar challenges and opportunities for the future.

We currently have 62 elected councillors serving 138,000 people across the two areas. South Hams is the fifth largest geographical district in Devon both in size and employment opportunities and West Devon is the largest and is predominantly rural.

This proposal would see the creation of a new single South and West Devon District or Borough Council to serve both areas from April 2019, with all of the staff and assets from South Hams and West Devon transferred into one new council.

We are in the unique position of already sharing one workforce. However, by managing two separate political and decision making structures our officers still have to produce two sets of work. If we were to become one council there are a lot of efficiencies that can be made quickly by reducing this duplication of work and enabling officers to focus more on delivering services. As well as significant cost savings we would instantly be delivering better value for money to our customers.

This proposal does include a small reduction in the number of staff, primarily in areas where the duplication of work is the greatest, however, staff reduction is not the focus of this proposal. The formation of one single organisation to service the two councils has already been achieved and we anticipate that any reduction in staff would be less than 10 full time posts.

Further efficiencies could also be made through a reduction in running costs, currently for every piece of software and application that the councils licence, there are two costs. In many instances these could be renegotiated to reflect the cost for one single organisation rather than two, so one website platform, one back office system etc.

If this proposal is approved by the secretary of state we anticipate these initial efficiency savings could generate up to £0.5 m a year.

But this is only part of the story up until 2019. This proposal also looks at the possible reduction in councillors, the rationalization of assets and the equalization of council tax.

REDUCING THE NUMBER OF COUNCILLORS

There is no proposal to reduce the number of councillors before the 1st April 2019. The ultimate intention of the proposal is to reduce the number of councillors by approximately 20-25% in time, but in order to do this the Boundary Commission would be needed to conduct a review of all council wards and their representation. Any changes they propose would not come into place until the elections in 2023.

This review would also give us the opportunity to refresh how we work and deliver a new modern local government for a new era. Technology and social media is changing how residents wish to interact with their council, this review would give us the opportunity to ensure that we have the training and tools to meet customers expectations.

As elected councillors we could also redefine our roles, working closely Towns and Parish councils to establish how we can work more effectively with them in the future.

A strong local presence and a desire to resolve customer issues at the first point of contact will remain a fundamental principle of the new council. We currently have a team of locality officers, a team on the ground who work across specific geographic areas and complete a wide range of tasks for many council services.

As an important link between the councillors and the community we see this team as vitally important to help us engage with the communities served by a single council with a large geographic area.

MAKING THE BEST USE OF OUR ASSETS

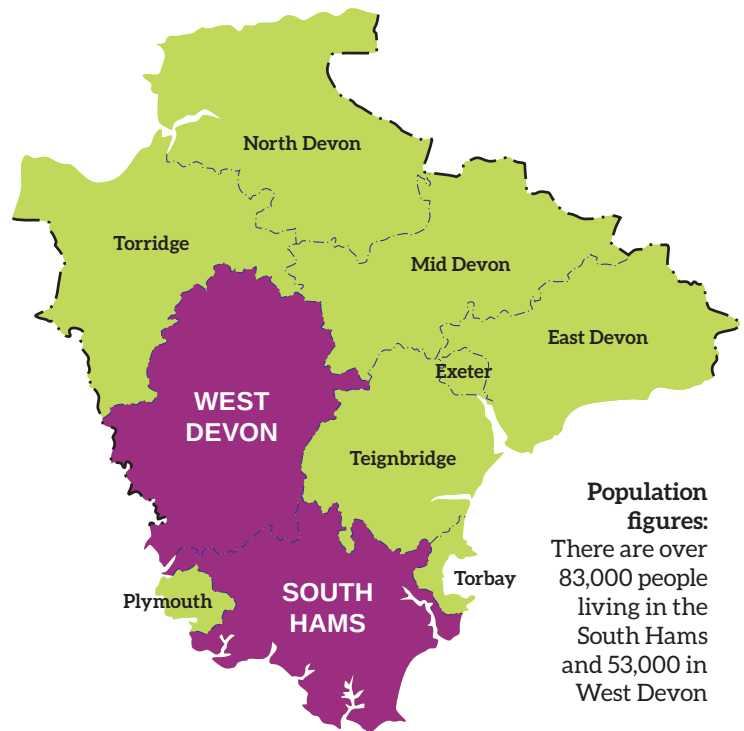
A new council would need to consider what it does with its property, how to make best use of office space, working arrangements for staff and how this might contribute towards closing the funding gap. All of these assets which currently belong to the two councils would be transferred to the one new council. There would then be a comprehensive review of all of the property and the new council would need to agree a strategy.

The review would need to consider whether the council should retain the two head offices at Killworthy Park and Follaton House or whether they should be sold, redeveloped, used to produce an ongoing income or remain as it is.

It will look at the potential of creating one single head office for the new council, which would reduce operating costs, and whether there could be an increase in partnership working within the community, working closer with other public bodies such as the NHS or the police.

The single council would have to carefully consider its property strategy, it would need to be fully costed and consulted upon. Therefore, any major changes to which buildings the new council operates from are unlikely to take place in the short term.

Any savings or income that could be made from the property strategy would be additional to the savings that we have already identified.



ONE COUNCIL, ONE VOICE

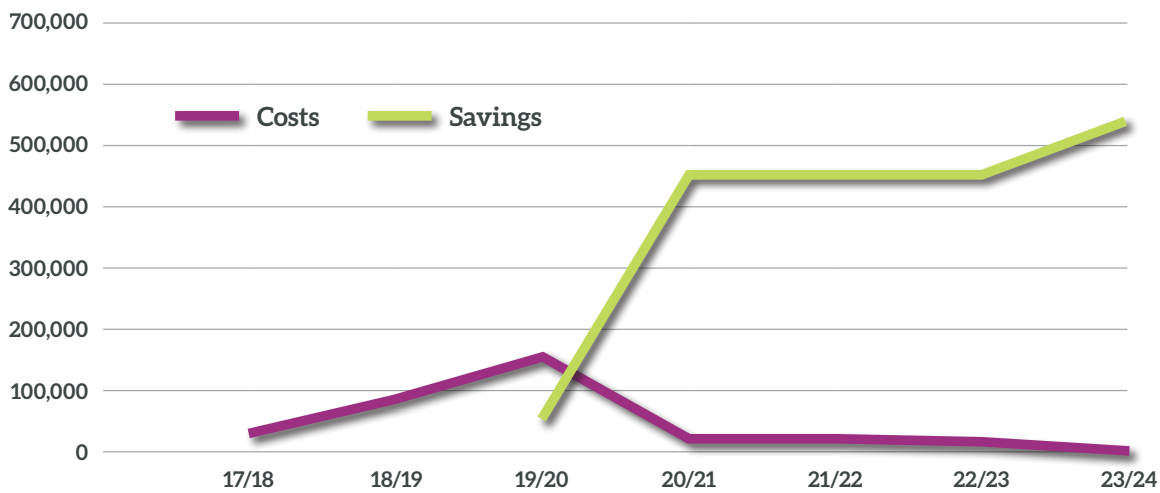
We believe that South Hams and West Devon will be much stronger together as one entity rather than two. Currently West Devon Borough Council has the smallest population of all of the Devon Districts at 54,4000 people and South Hams is somewhere in the middle 84,500 people (2015). The formation of one single council has the potential to create much stronger local leadership which will be representing 138,000 people the second largest in Devon behind Plymouth, with 117 parishes.

The new physical boundary of the two authorities would also create the largest district in Devon, just over 1/3 of the total area covered by Devon County.

This would give our leaders more people power when it comes to debating and negotiating regional issues, giving us a much louder voice.

THE COSTS

The one-off implementation costs will total £325,000 (the cost will be spread over a number of years) and the annual savings are £0.5 m. The chart on the following page shows costs and savings.



NOW TELL US WHAT YOU THINK

IN THIS FIRST SECTION WE ASK YOU FOR YOUR THOUGHTS ON THE PROPOSAL:

What won't change

- You will still be able to vote for a councillor to represent your Town, Parish and Ward
- Your functions of your Town and Parish Council will remain unchanged
- Services delivered by Devon County Council will be unaffected by this change
- You will still get the same services from your local council only delivered by one council across the whole of South Hams and West Devon instead of two.
- Key strategies such as the Joint Local Plan will not be affected.
- The staffing structure of the councils will largely remain unchanged
- The new council will continue to look for opportunities to work in partnership with Town and Parish Councils

What will change

- There will be one council covering the areas currently administered by South Hams and West Devon
- Ultimately there would be fewer district councillors, a new structure would be in place for the elections in 2023
- There would be a single revenue and capital budget for delivering services in your area with a single set of strategies and policies.
- The name and branding of your local council would change
- The council tax between the two areas is different and will need to be equalized, there is currently a £62.97 difference between the two councils
- The location of your council head office is likely to change over time
- How and where your local council meetings are held could also change

IN THIS SECOND SECTION WE WELCOME YOUR THOUGHTS ON OUR APPROACH TO CLOSING THE FUNDING GAP

What are the other options for closing the funding gap?

In the spring of 2017, we asked our officers to explore how we could close a forecast budget gap of £1.9 m by 2020, and how we could protect the services that we deliver to you.

They came back to use with a number of proposals, which collectively could deliver the savings that we need. They include

- Creating one single council to deliver further efficiencies
- Outsourcing frontline services in South Hams and West Devon
- Setting up a company to run all of South Hams and West Devon's front line services
- Borrowing money and investing it to earn an income

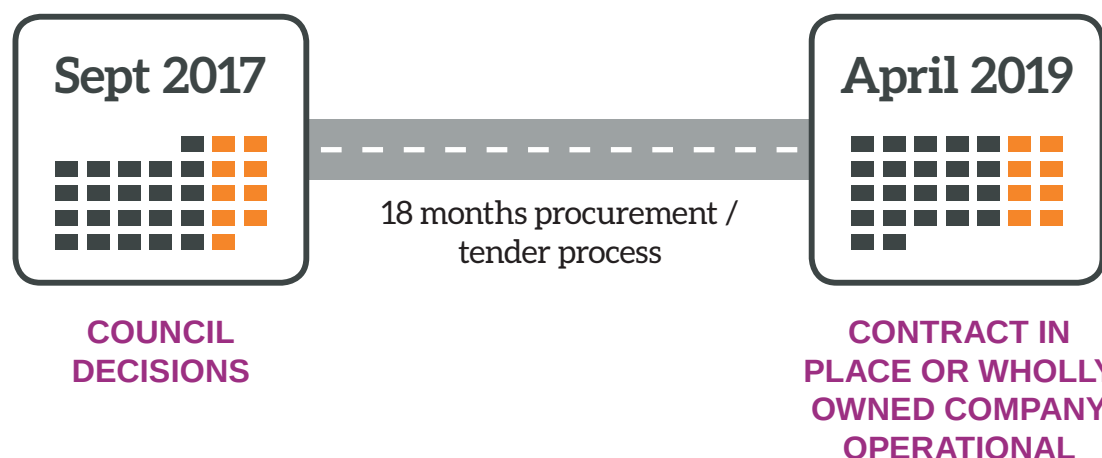
Wholly owned company or outsourcing of frontline services

While holding discussions about whether we could create one single council, we have also been exploring the best options for delivering our front line services such as waste, street cleaning and maintenance. We are currently in the process of testing the market to see what options would be available us.

Once this piece of work is complete, we will know what the best costed options are for us and we will again be asked to decide how we would like to proceed.

We will be choosing between whether we bring all of these services in-house in West Devon, where they are currently outsourced to FCC, to go out to tender and include those services for South Hams as well, bring all of those services for South Hams and West Devon in house or set up a separate company to run those services.

Time frame for decisions



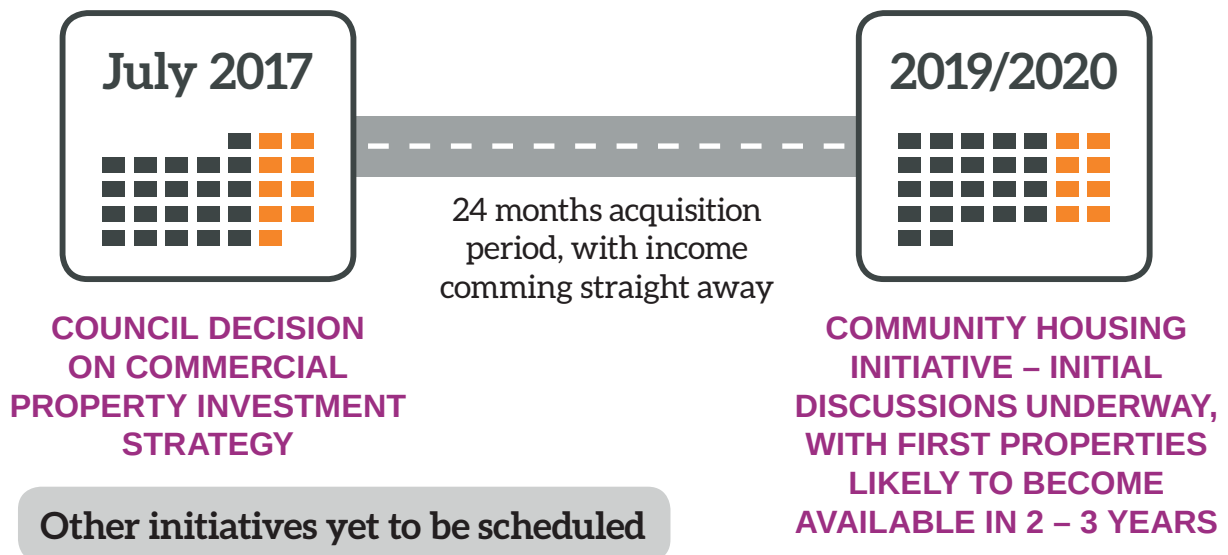
Investing to Earn

We have an ongoing project with a working group of councillors, where we are exploring all of the options available to us to generate an income.

This includes borrowing money and investing it in commercial property so that we can create an investment portfolio that can provide an ongoing income. We are also working on developing a community housing initiative, which is designed to help local residents to determine and deliver appropriate and affordable housing for their communities.

We are also exploring how we could sell our expertise in areas such as environmental health, offering additional food safety advice and generating an income from selling advertising space on our properties and assets.

Time frame for decisions



Not one of these options will generate enough income on their own to fill the forecast funding gap. If we do not act now and consider all of these options we will be left with no choice but to reduce the levels of service that we provide.

Consultation Questions

1. Do you support the proposal of creating one new council as one of the options for closing the funding gap and protecting services?
2. Do you have a suggestion for the name of the council?

IN THIS THIRD SECTION WE WANT TO KNOW HOW YOU THINK THIS MIGHT AFFECT YOUR COMMUNITY

Tiered government will remain

Creating one council would leave many things unchanged. You would still be represented at district /borough level by a councillor who you elect, only now they will all belong to one new council covering the whole of South Hams and West Devon.

The new council would have a new name, but it would keep the areas covered by South Hams and West Devon the same, preserving their identities and those of the local communities.

There would still be a two-tier arrangement in place. So Devon County Council would continue to be responsible for services like highways, street lighting and social care, there would be no change to services delivered by DCC as part of forming this new council. As before the new district or borough council would be responsible for services like planning, housing benefits, waste collection and environmental health. There would still be elections for County and District councillors in order to preserve local representation.

Parish and Town councils would still exist and operate in the way they do now, but if we proceed to form a new council, we will be having early conversations with them to see if there are any ways that a new council could improve how we work together.

Will there still be a mayor of West Devon?

Currently West Devon Borough Council has a mayor, but South Hams District Council do not. We would welcome your thoughts on whether the new council should seek to have borough status and a civic mayor.

At West Devon Borough Council, the Mayor is expected to uphold and promote the constitution of the council. They chair the meetings of the full council to make sure that its business is carried out efficiently and to ensure that council meetings are a forum for the debate of matters of concern to the local community and to promote public involvement in the council's activities. In South Hams this function is filled by the Chairman of the council.

Will my council tax be affected?

There is currently a £63 difference (on an average Band D property) between the two authorities. Therefore there would be a need to bring the element that both authorities charge in council tax to the same proportions.

Detail TBC following member meetings.

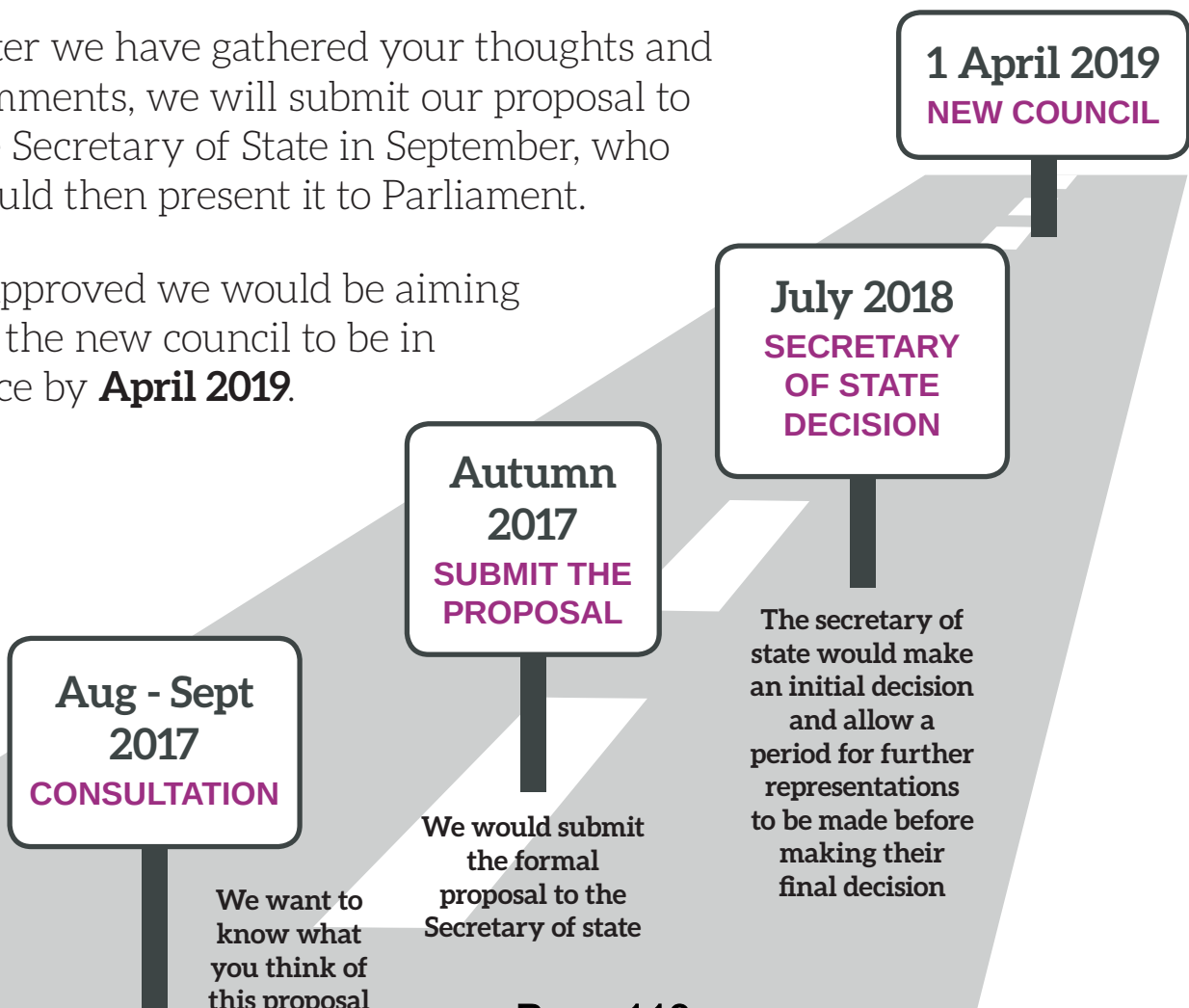
Consultation Questions

3. Is it important for you that there is a mayor for the combined area covered by the proposal?
4. What benefits do you feel a new single council would bring to your community?
5. Do you think that the proposal might lead to any significant impacts on you, if so what might they be and how could those be reduced?
6. Do you have any other comments to make on the proposal for a new single council?

WHAT HAPPENS NEXT?

After we have gathered your thoughts and comments, we will submit our proposal to the Secretary of State in September, who would then present it to Parliament.

If approved we would be aiming for the new council to be in place by **April 2019**.



SUMMARY – TELL US WHAT YOU THINK

The consultation to gather your thoughts and comments will run from x to x.

You can tell us what you think, read the proposal or see a list of frequently asked questions visit at:

www.onecouncil.org.uk

Consultation Questions

1. Do you support the proposal of creating one new council as one of the options for closing the funding gap and protecting services?
2. Do you have a suggestion for the name of the council?
3. Is it important for you that there is a mayor for the combined area covered by the proposal?
4. What benefits do you feel a new single council would bring to your community?
5. Do you think that the proposal might lead to any significant impacts on you, if so what might they be and how could those be reduced?
6. Do you have any other comments to make on the proposal for a new single council?

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Follow us on twitter and facebook and join in the discussion



#SHDC #WDBC
#ONECOUNCIL



Southhamsdistrictcouncil
Westdevonboroughcouncil

Appendix C

Timetable for creation of a single Council

Action	Date
Proposal for single council and consultation to be debated by the Hub and Executive and approved for consultation with public and key stakeholders	18 and 20 July 2017
Proposal for single council and consultation to be debated by the Councils and approved for consultation with public and key stakeholders	25 and 27 July 2017
Consultation period (public and key stakeholders)	August - September 2017
Final Proposal for a single Council approved by Councils and submitted to Secretary of State for consideration	Autumn 2017
Secretary of State considers the proposal, makes a decision and prepares the Draft Order	Autumn 2017 – Spring 2018
Debated at Parliament	May – July 2018
Final Order made	July 2018
Transition arrangements	July 2018 – March 2019
New single Council formally comes into being	1 April 2019
Elections to new council	May 2019

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Asset Strategy

This document focuses on the land and property assets of the two Councils and sets out initial thoughts on the possible options that a new single Council could consider regarding their treatment. These assets are items which are under the full ownership of each respective Council, such as car parks, green spaces, head office and other operational buildings – such as the Dartmouth Ferry / Salcombe Harbour, depot locations, public conveniences, potential development sites and non-operational property - such as industrial units and investment land. Non-operational land typically generates income for the two respective Councils, as do some parts of head office locations which are let to third parties.

At present, the two Councils have customer facing locations at Tavistock and Totnes, along with a customer service centre at Okehampton. Limited customer interactions take place at the Council owned and operated depot sites in the South Hams.

A new Council would need to consider its future asset strategy, i.e. is there a continued need for two large head offices and how best can the new single Council support its customers across both areas who need access to Council staff.

Any change to the property strategy would need to be carefully considered, costed and consulted upon and therefore major changes are unlikely to be appropriate in the short term.

Options regarding the combining of Council assets

There are number of options as to how the assets & liabilities of both Councils will be treated. For example, the treatment of:

- Liabilities / Revenues accruing from non-operational land or premises
- Liabilities / Revenues accruing from operational land or premises
- Liabilities / Revenues from existing or proposed asset developments / sales / acquisitions;
- Reserves held to cover specific capital items
- Other allocated or unallocated reserves
- Benefits accruing under s106 agreements.

Where legally permissible, Members could opt to combine everything and consider these assets as a whole OR segregate assets by their former owner and distribute any benefit or liability only within the former owner's district / borough.

The former option would generate the maximum benefit across the combined area and be simpler and more efficient to administer. If the decision to form a single Council is made, within the next election cycle it is envisaged that a boundary review would be completed and council tax revenues would be harmonised across both Council areas. Therefore, both South Hams and West Devon would be served by a single elected Member base and a single workforce, working together to maximise the use and potential of the single Council's combined assets for the benefit of all residents.

The latter option would impinge on the single Council's ability to deliver the maximum benefit for all residents.

How the combining of assets should be dealt with needs further discussion and Member consideration if and when the decision to form a single Council is made.

Options regarding the operational bases

If Members opted to form one single Council, the new Council could consider:

- A comprehensive review of the Councils' operational locations
- Combining operational assets of both Councils
- Increased partnership working closer to communities, with officers or committees co-locating with other public bodies (e.g. the police, the NHS, DCC, Town Councils) or in community buildings to reduce or avoid the need for customers / staff / Members to travel large distances to conduct Council business
- Devolving certain decisions to other bodies reducing the need for physical premises in certain areas
- The potential disposal and/or redevelopment of the two head office locations

Both Councils already have a flexible workforce who can work from any location. Assuming that the needs of the single Council differ to that of the existing organisation, it is likely that the Council will require a smaller 'footprint' of dedicated floor space. Options available include:

- Full letting of existing buildings to third party organisations
- Redevelopment of the head office site(s)
- Disposal of certain buildings
- Remain as is

Kilworthy Park, Tavistock

- Current estimated value* @ 1/4/17: £2.4m
- This site currently has 7 tenants, occupying approx. 31% of the lettable area.
- The site currently generates £75k per annum in rent from the let areas.
- All existing tenants (bar one) are on non-secure tenancies, meaning that they can be evicted at no cost at the end of their tenancy. However one tenant is on a secure tenancy, meaning that they would need to be paid compensation to vacate the building if a valid reason for their eviction can be given (such as redevelopment of the building). An estimate of this compensation has not been calculated.
- Existing third party leases expire at different times. None extend beyond 6 years.
- If the areas currently occupied by SHWD were to be let to a third party as a whole, this could generate an additional £136k pa in income
- In total, the whole building could potentially yield £211k pa – However, in reality it may be difficult to let the entire space as office accommodation, as there is little demand for office accommodation of this size and type in this location.

**In-house RICS valuation based on a capitalised rental valuation.*

Note: Prudential borrowing was taken to facilitate the refurbishment and extension of Kilworthy Park. This borrowing is not secured against the property and therefore does not restrict the options open to the Council.

The borrowing was taken on a maturity basis and a reserve has been created to fund the capital repayment of the loan. The loan maturity is not due for another 36 years (expiring 2053).

Follaton House, Totnes

- Current estimated value* @ 1/4/17: £5.4m
- This site currently has 5 tenants occupying approx. 22% of the lettable area.
- All existing tenants are on non-secure tenancies, meaning that they can be evicted at no cost at the end of their tenancy.
- The third party leases expire at different times. None extend beyond 6 years.
- The site currently generates £150k per annum in rent from the let areas.
- If the areas currently occupied by SHWD were let to a third party as a whole, this could potentially generate an additional £324k pa in income.
- In total, the whole building could potentially yield £474k pa in rental income. In reality it may be difficult to let the entire space as office accommodation, as demand for such accommodation has not been market tested.

The Follaton House valuation is based on the existing building in its existing use along with an assumed valuation of the grounds. However, incremental value could be created by developing residential accommodation within the grounds (in addition to the existing office accommodation) or the site could be redeveloped into other uses. This is likely to be acceptable in planning terms, but would require a full options appraisal and business case.

**In-house RICS valuation based on a capitalised rental valuation.*

Centralised Head Office Location

There is an opportunity for a new Council to develop a purpose built head office located in a more convenient location than the current bases at Tavistock and Totnes. Any new building would have inherently lower operating costs than the existing head office locations.

A new building could accommodate the single Council and some of the existing tenants (if they wanted to move with the Council) or have the potential to include lettable areas for other tenants, thereby offering economic inward investment and additional employment benefits to the local community and opportunities for the further income generation for the Council.

Employment land values have been estimated at c. £200,000 an acre and construction costs are estimated at £2,500 per m² for an office development. This could mean a £5m investment for a new, fully owned building. A £1m s106 employment contribution from the Langage Power Station could be used to support such an initiative, if there is demonstrable economic benefit and creation of new industrial / employment accommodation.

Combined Asset Base and Balance Sheet for a new Single Council

A single Council would have an Asset Base valued at over £95m. Below is a summary of how the single Councils balance sheet could look, based on the 2016/17 Unaudited Statement of Accounts of both Councils:

	South Hams District Council £'000s	West Devon Borough Council £'000s	Combined Single Council £'000s
Long-Term Assets	76,089	19,526	95,615
Current Assets	36,568	12,182	48,750
Current Liabilities	(12,975)	(5,597)	(18,572)
Long-Term Liabilities	(57,843)	(29,020)	(86,863)
NET ASSETS	41,839	(2,909)	38,930
Usable Reserves	18,866	5,482	24,348
Unusable Reserves	22,973	(8,391)	14,582
TOTAL RESERVES	41,839	(2,909)	38,930

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Appendix E - Council Tax Equalisation

The following table shows a set of possible options for the equalisation of Council Tax. There are many different ways in which this could be achieved. The number of years over which Council Tax can be equalised can be anywhere between 1 and 5 years. The options in the table below have been equalised over 3 years and 5 years for modelling purposes. The impact of council tax equalisation on the level of council tax income achieved also varies depending on the option chosen.

In the table below, income from each option is compared to the level of council tax income already assumed within each Council's Medium Term Financial Strategy (The MTFs already assumed a £5 increase in council tax per annum).

All of the Options assume that the SHDC Band D Council Tax of £155.42 (17/18) increases by £5 to £160.42 in 18/19 and that the WDBC Band D Council Tax of £218.39 (17/18) increases by £5 to £223.39 in 18/19.

The maximum increase allowed whilst remaining within the council tax threshold would be a £5 increase in the combined Band D and combined Taxbase which is Option 3. DCLG have confirmed that the Council can submit options that also include those that exceed the council tax threshold and this will be considered by Ministers.

Option	Combined Band D Equalised To (£)	Impact on SHDC Band D (£)	Impact on WDBC Band D (£)	Difference in Council Tax Income in 2019-20 (£) Yr1	Difference in Council Tax Income in 2020-21 (£) Yr2	Difference in Council Tax Income in 2021-22 (£) Yr3	Difference in Council Tax Income in 2022-23 (£) Yr4	Difference in Council Tax Income in 2023-24 (£) Yr5
Option One Flat Band D combined	£177.33 by 2021-22	Increase of £5.64 for 3 years (3.5% increase in 19-20)	Decrease of £15.35 for 3 years (6.9% decrease in 19-20)	Decrease of £0.4m	Decrease of £0.8m	Decrease of £1.2m	Decrease of £1.2m	Decrease of £1.2m
Option 2 – 2% increase in combined Band D	£191.95 by 2021-22	Increase of £10.51 for 3 years (6.6% increase in 19-20)	Decrease of £10.48 for 3 years (4.7% decrease in 19-20)	Decrease of £0.1m	Decrease of £0.2m	Decrease of £0.3m	Decrease of £0.3m	Decrease of £0.3m
Option 3 - £5 increase in combined Band D	£197.32 by 2021-22	Increase of £12.30 for 3 years (7.7% increase in 19-20)	Decrease of £8.69 for 3 years (3.9% decrease in 19-20)	Nil	Nil (1K extra)	Nil (2K extra)	Nil (1K less)	Nil (5K less)
Option 4 –	£223.39 by	Increase of	Nil increase	Extra	Extra	Extra	Extra	Extra

Option	Combined Band D Equalised To (£)	Impact on SHDC Band D (£)	Impact on WDBC Band D (£)	Difference in Council Tax Income in 2019-20 (£) Yr1	Difference in Council Tax Income in 2020-21 (£) Yr2	Difference in Council Tax Income in 2021-22 (£) Yr3	Difference in Council Tax Income in 2022-23 (£) Yr4	Difference in Council Tax Income in 2023-24 (£) Yr5
bring South Hams up to WD in 3 years - then freeze for 2 years	2021-22 then freeze for 2 years	£20.99 for 3 years (13.1%) then freeze for 2 years	for 5 years WDBC Band D frozen	£0.5 million	£1.03 million	£1.6 million	£1.3 million (council tax frozen)	£1.0 million (council tax frozen)
Option 5- bring South Hams up to WD in 3 years – WD increases £5 per year – then freeze for 2 years	£238.39 by 2021-22	Increase of £25.99 for 3 years (16.2% increase in 19-20) then freeze for 2 years	Increase of £5 for 3 years then freeze for 2 years	Extra £0.8 million	Extra £1.6 million	Extra £2.5 million	Extra £2.2 Million (council tax frozen)	Extra £1.9 Million (council tax frozen)
Option 4a – bring South Hams up to West Devon over 5 years (WD freezes for 5 years)	£223.39 by 2023-24	Increase of £12.59 for 5 years (7.9%)	Nil increase for 5 years (WDBC level frozen)	Extra £0.2 million	Extra £0.4 million	Extra £0.6 million	Extra £0.8 million	Extra £1.0 million
Option 5a – bring South Hams up to West Devon over 5 years (WD increases by £5 for 5 years)	£248.39 by 2023-24	Increase of £17.59 for 5 years (11%)	Increase of £5 for 5 years	Extra £0.5 million	Extra £1 million	Extra £1.5 million	Extra £2.0 million	Extra £2.5 million

Explanation of the Options

The Options above explain how Council Tax Equalisation could be achieved.

For example in Option One, the South Hams Band D increases by £5.64 each year for 3 years until it equalises at £177.33 in 2021-22. The West Devon Band D reduces by £15.35 each year for 3 years until it also equalises at £177.33 in 2021-22. This option is within the council tax threshold but it means that overall the combined Council loses council tax income of £0.4 million in 19/20 and by 21/22 the loss of council tax income increases to £1.2 million (the loss of council tax income is in comparison to each Council's current MTFs). The greyed options show where there is a loss of council tax income overall.

Option 3 is within the council tax threshold and means that the South Hams Band D would increase by £12.30 for each year of 3 years, until it equalises at £197.32. The West Devon Band D would reduce by £8.69 each year for 3 years, until it also equalises at £197.32 in 2021-22. This option more or less produces the same amount of council tax income as that already modelled in the MTFs for each Council (a slight additional council tax income of £2K is generated by 2021-22).

Options 4 and 5 start to produce a higher amount of council tax income than that already modelled in the MTFs for each Council. Option 4 generates an additional £1.6 million by 2021-22 (yr 3) and Option 5 generates an additional £2.5 million by 2021-22 (yr 3). The reason these two options produce a higher level of council tax income is because in these options the West Devon Band D is not equalised downwards. Instead, the South Hams Band D is brought up to meet the West Devon Band D, with the Band D for West Devon being frozen at £223.39 in Option 4. In Option 5, more council tax income is achieved as the West Devon Band D is increased annually by £5 per annum and the South Hams Band D is brought up to this level over the 3 years of equalisation. Options 4 and 5 exceed the level of the council tax threshold.

Options 4 and 5 have been extended another two years into 2022-23 (Yr4) and 2023-24 (Yr 5) to show the impact on the council tax income produced if in both these options council tax was frozen by the combined Council in Year 4 and Year 5. So for example Option 4 means there is additional council tax income generated of £1.6 million by Year 3 (2021-22) and this income reduces by £300,000 to £1.3 million in Year 4 if council tax is frozen. Council tax income further reduces to £1 million by Year 5.

Options 4a and 5a show the figures if Council Tax is equalised over 5 years (rather than 3 years). So for example in Option 5a, the South Hams element increases by £17.59 for 5 years (11% increase) and the West Devon element increases by £5 for 5 years. This generates additional council tax income of £2.5 million by Year 5 (2023-24).

DCLG have confirmed that a few options (say 3 to 4) can be presented to Ministers for consideration.

Prepared by Lisa Buckle 14 June 2017

Additional Evaluation of Option 5 and Option 5a for Council Tax Equalisation

The preferred options of the Joint Steering Group for equalising council tax are Options 5 and 5a.

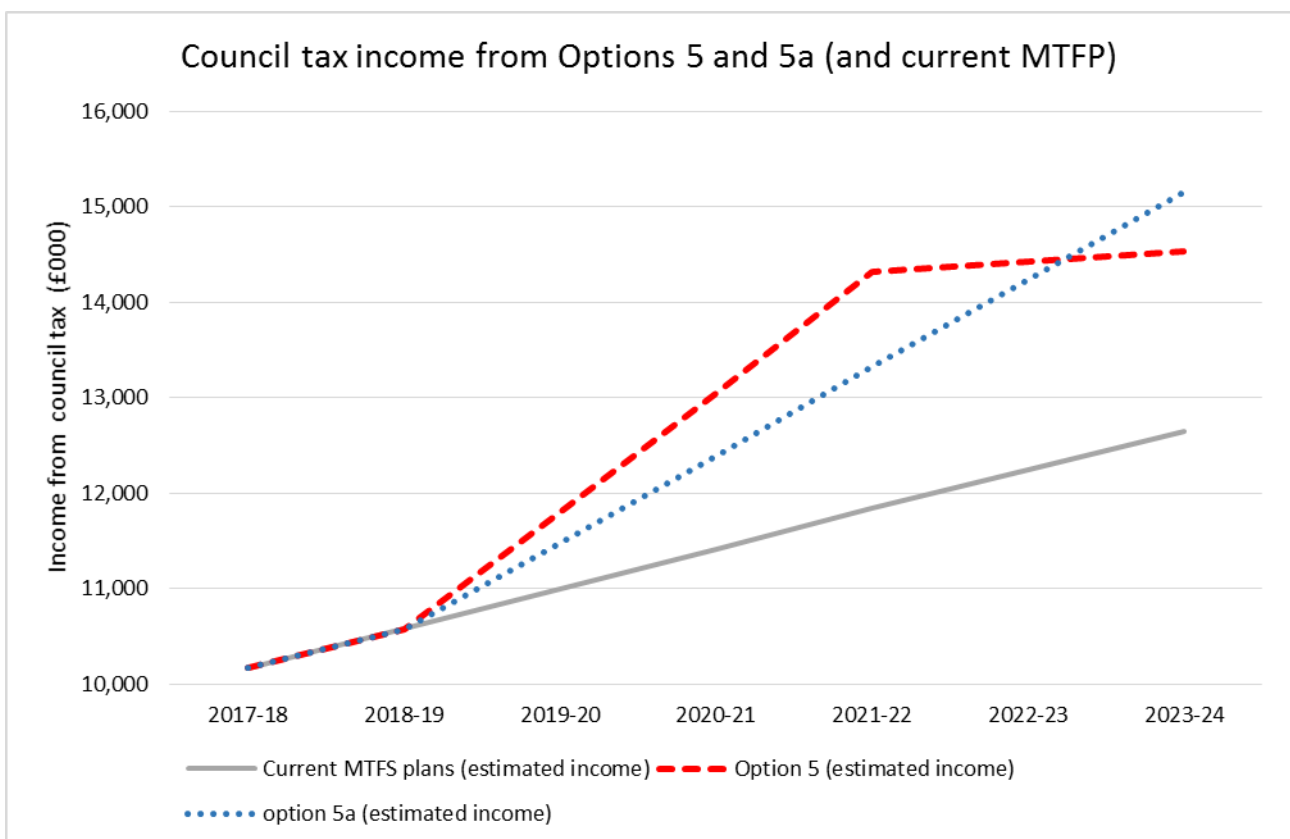
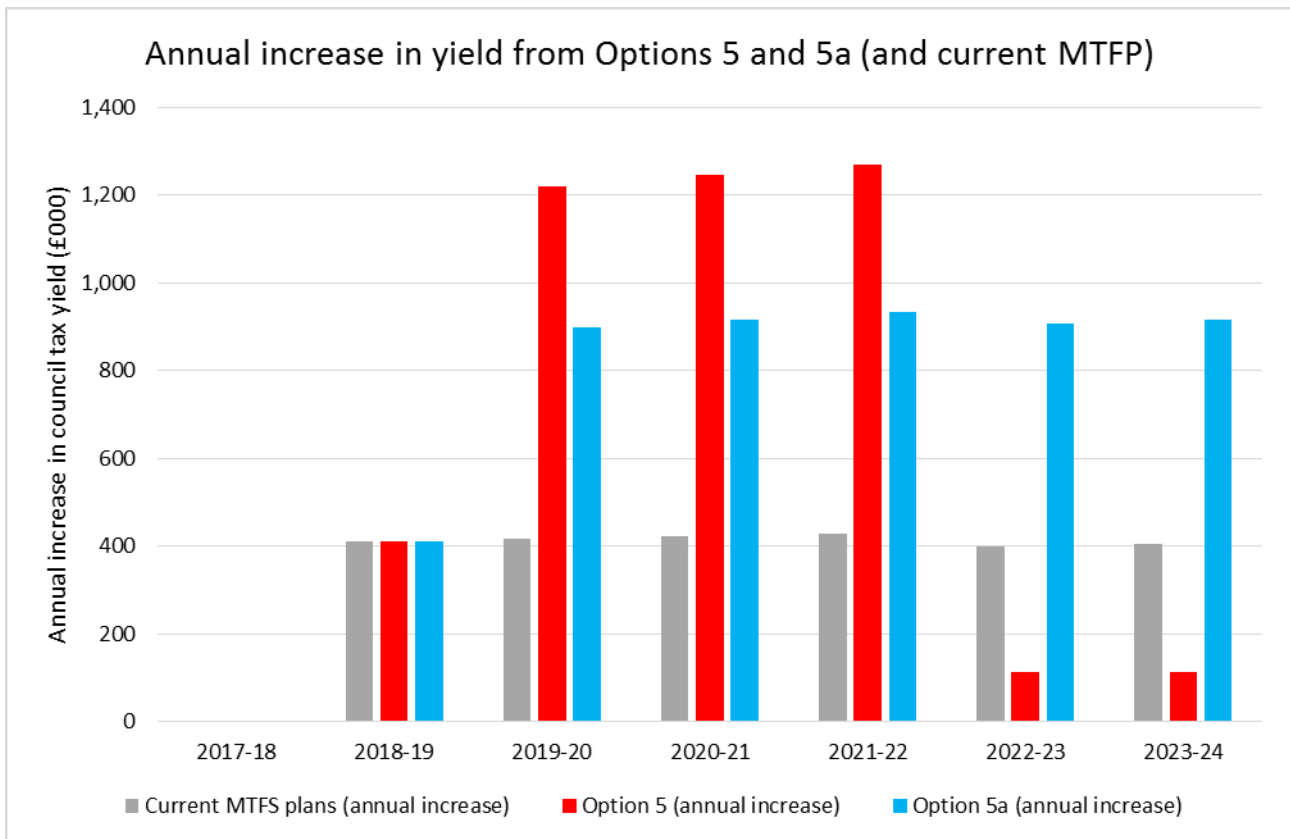
	Option 5	Option 5a
WDBC Annual increase in Band D - This sets out the impact on West Devon residents	£5 increase in West Devon Band D each year for first three years; then frozen for Year 4 and Year 5	£5 increase in West Devon per year for each of the 5 years
SHDC Annual increase in Band D – This sets out the impact on South Hams residents	£25.99 increase in South Hams Band D each year for first three years (16.2% increase), then frozen for Year 4 and Year 5	£17.59 increase in South Hams per year for each of the 5 years
Value of Band D that is equalised to by Year 5 (2023-24)	£238.39 by 2021-22	£248.39 by 2023-24
Equalisation period	3 years	5 years
Council tax threshold	Exceeds council tax threshold	Exceeds council tax threshold

The table shows (a) the annual increase in yield for each option and (b) the estimated total income from each option. The estimated income from the current MTFS projections is also shown for comparison.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Annual increase in yield							
Current MTFS plans		409	416	423	429	400	405
Option 5		409	1,219	1,245	1,271	219	221
Option 5a		409	898	916	934	906	917
Estimated income from council tax							
Current MTFS plans	10,166	10,575	10,991	11,414	11,843	12,243	12,648
Option 5	10,166	10,575	11,795	13,040	14,310	14,529	14,750
Option 5a	10,166	10,575	11,473	12,389	13,323	14,229	15,147

The first chart shows the increase in yield in each financial year for each option. Option 5 generates large increases in yield in the first 3 years of the new single council (years 2019-20, 2020-21, and 2021-22), followed by flatter yield thereafter (there are small increases due to the growth in taxbase). Option 5a has slower growth in yield – because the equalisation of South Hams takes place over 5 years rather than 3 – but the yield after 5 years is higher. This is because the average Band D council tax is increased by £5 per year for each year (5 years in total), whereas Band D council tax effectively only increases by £5 per year for the first 3 years.

Future growth in yield will depend on decisions the new council makes about increases in its Band D council tax (and the growth in taxbase). However, option 5a would give the new council a higher base from which to grow its council tax, and would give the new council the opportunity to continue with yield that is some £610,000 higher.



Advantages of Option 5

<p>Option 5 tackles equalisation more rapidly so that a freeze in Years 4 and 5 can be offered</p>	<p>Option 5 tackles equalisation more rapidly (over 3 years) and gives the new council the opportunity to use savings from the combined Council to offer a freeze in Year 4 and Year 5. This is an opportunity to demonstrate to residents that the new council has delivered real benefits.</p>
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Advantages of Option 5a:

<p>More gradual increase in Band D council tax in Option 5a</p>	<p>Growth in council tax income is more gradual for Option 5a, with increases in council tax being more gradual. Band D for residents in South Hams is increasing by £17.59 per year (which includes both an element for equalisation and the underlying £5 increase in Band D). In option 5, Band D increases by £25.99 per year for 3 years for South Hams (and then is frozen).</p>
<p>Higher base for council tax income in Option 5a</p>	<p>The base for council tax income is higher for the single council at the end of the 5-year period in Option 5a. Band D has continued to increase by £5 per year across the whole 5-year period, and so the base is higher. The yield from council tax is £610,000 higher in Option 5a, which gives the new council greater scope to generate income from council tax in the future. Under this option, the single Council has £610,000 more council tax income from Year 6 onwards as the Band D equalised to is higher at £248.39.</p>

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Report to: **Executive**

Date: **20 July 2017**

Title: **Write Off Report**

Portfolio Area: **Support Services**

Wards Affected: **All**

Relevant Scrutiny Committee:

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

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

Contact: **Ext. 1413 lisa.buckle@swdevon.gov.uk**

Recommendations:

The Executive notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual South Hams District Council debts totalling £109,557.03 as detailed in Tables 1 and 2.

The Executive approves the write off of an individual debt in excess of £5,000 totalling £9,650.91, as detailed in Table 3.

1. Executive summary

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

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

This report covers the period 1st January 2017 to 31st March 2017.

2. Background

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

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

South Hams District Council's collection rates for 2015/16 were; Council Tax 98.17% & Business Rates 98.18%.

In the fourth quarter of 2016/17 the Council has collected £8.45 million in Council Tax and £4.52 million in Business Rates. The total collectable debt for 2016/17 (as at 31st March) for Council Tax is £63.03 million and for Business Rates is £32.85 million.

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

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £1,914,077. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.

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

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

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

A record is kept of debts written off, together with the reason for doing so, so that if there is a realistic chance of recovery in the future a debt may be resurrected and pursued again.

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

Supporting Information

Appendices:

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

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

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

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

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

Table 6 – Previous Year Write Off Totals

Background Papers:

Section 151 Local Government Act 1972

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

Section 14 Local Government Finance Act 1992 (Council Tax)

Recovery Policy

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	Not Applicable

TABLE 1 SUMMARY OF SOUTH HAMS DISTRICT COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 4	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	50	4		Overpaid Entitlement	24,836.70	69	33,471.63	1	332.61	60	25,479.90
	1	-		Bankruptcy	203.55	2	796.60	-	-	13	13,378.16
	2	-		Absconded	1,100.70	2	1,100.70	-	-	8	9,427.10
	10	1		Deceased	3,367.69	15	3667.12	-	-	1	93.24
	13	-		Not cost effective to pursue	316.07	46	1,775.70	-	-	19	1,679.53
	60	5		Uncollectable old debt	27,545.59	65	27545.59	-	-	20	6,980.14
Total	136	10			57,370.30	199	68,357.34	1	332.61	121	57,038.07
COUNCIL TAX	30	5		Absconded	18,245.97	70	40,237.06	2	1,187.41	22	8,838.11
	-	1		Administrative Receivership	1,224.21	1	1,224.21	-	-	1	2,094.70
	15	4		Bankruptcy	15,006.43	33	26,773.69	-	-	42	27,737.68
	2	-		Deceased	631.57	9	1,433.79	-	-	4	353.56
	2	-		Small balance	11.08	9	108.41	-	-	9	88.52
	10	1		Other	5,366.89	47	23,709.53	-	-	10	11,269.67
	-	-		Uncollectable old debt	-	-	-	-	-	5	4,449.43
	-	-		Voluntary Bankruptcy	-	-	-	-	-	-	-
Total	59	11			40,486.15	169	93,486.69	2	1,187.41	93	54,831.67
SUNDRY DEBTS	-	-		Absconded	-	-	-	-	-	-	-
	-	-		Bankruptcy/DRO/IVA/CVA	-	-	-	-	-	-	-
	-	-		Not cost effective to pursue	-	-	-	-	-	-	-
	-	1		Other	1,321.50	1	1,321.50	-	-	-	-
	-	-		Administrative Receivership	-	-	-	-	-	-	-
	-	-		Small balance	-	-	-	-	-	-	-
Total	-	1			1,321.50	1	1,321.50	1	9.03	1	9.03
HOUSING RENTS	-	-		Bankrupt	-	-	-	-	-	-	-
	-	-		Not cost effective to pursue	-	-	-	-	-	3	137.32
	-	-		Absconded	-	-	-	-	-	-	-
	-	-		Uncollectable old debt	-	-	-	-	-	-	-
	-	-		Other	-	1	270.00	-	-	-	-
	-	-		Deceased	-	-	-	-	-	-	-
Total	-	-			-	1	270.00	-	-	3	137.32
Grand Total	195	22			99,177.95	370	163,435.53	4	1,520.02	218	112,016.09

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

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 4	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	1	1	Absconded	1,165.70	1	1,165.70	-	-	3	1,019.77
	-	-	-	Administrative Receivership	-	-	-	-	-	1	1,042.00
	3	2	4	Liquidation	7,420.54	18	24,351.39	-	-	13	24,521.04
	-	-	-	Voluntary Bankruptcy	-	-	-	-	-	1	3,435.69
	1	1	2	Other	1,253.50	6	5,148.64	-	-	2	40.53
	-	-	-	Uncollectable old Debt	-	-	-	-	-	-	-
	1	-	1	Bankruptcy	539.34	2	2,147.05	-	-	3	7,015.09
-	-	-	Deceased	-	-	-	-	-	-	-	
Total	5	4	8		10,379.08	27	32,812.78	-	-	23	37,074.12

TABLE 3 SUMMARY OF ITEMS OVER £5,000 WHERE PERMISSION TO WRITE OFF IS REQUESTED

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2016/17			Totals for Comparison purposes			
			Quarter 4	Cumulative Total		Equivalent Quarter 2015/16		Grand Total 2015/16	
			Amount (£)	Case	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	Administrative Receivership	-	-	-	-	-	1	9,367.21
	-	Liquidation	-	3	26,662.91	-	-	10	242,717.12
	-	Absconded	-	-	-	-	-	-	-
	1	Bankruptcy	9,650.91	1	9,650.91	-	-	-	-
	-	Uncollectable old Debt	-	-	-	-	-	-	-
	-	Voluntary Bankruptcy	-	-	-	-	-	-	-
	-	Other	-	1	10,814.18	-	-	-	-
Total	1		9,650.91	5	47,128.00	-	-	11	252,084.33
HOUSING BENEFIT	-	Deceased	-	-	-	-	-	-	-
	-	Overpaid Entitlement	-	1	5,394.07	-	-	-	-
	-	Bankruptcy	-	-	-	-	-	1	7,177.42
Total	-		-	1	5,394.07	-	-	1	7,177.42
COUNCIL TAX	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy	-	-	-	-	-	-	-
	-	Voluntary Arrangement	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	
Grand Total	1		9,650.91	6	52,522.07	-	-	12	259,261.75

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

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

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

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

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

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

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	18,091	9,666
Quarter 2 - Receipts collected between 1 st July – 31 st September	16,349	8,601
Quarter 3 - Receipts collected between 1 st October – 31 st December	16,121	8,675
Quarter 4 - Receipts collected between 1 st January – 31 st March	7,762	4,172

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

TABLE 6 PREVIOUS YEAR WRITE OFF TOTALS

		2015 - 16	2014 - 15	2013- 14	2012 - 13	2011 - 12
HOUSING BENEFIT	Under £5,000 cases	57,038.07	102,138.53	75,357.30	87,095.83	74,868.17
HOUSING BENEFIT	£5,000 or over cases	7,177.42	0.00	14,903.19	61,925.43	0.00
Total		64,215.49	102,138.53	90,260.49	149,021.26	74,868.17
COUNCIL TAX	Under £5,000 cases	54,831.67	97,927.30	117,528.97	96,025.52	112,674.76
COUNCIL TAX	£5,000 or over cases	0.00	0.00	23,090.93	6,782.09	12,160.58
Total		54,831.67	97,927.30	140,619.90	102,807.61	124,835.34
SUNDRY DEBTS	Under £5,000 cases	9.03	6,584.63	2,723.23	12,811.29	28,170.96
SUNDRY DEBTS	£5,000 or over cases	0.00	0.00	0.00	0.00	0.00
Total		9.03	6,584.63	2,723.23	12,811.29	28,170.96
HOUSING RENTS	Under £5,000 cases	0.00	3,113.38	1,037.83	3,143.83	3,048.57
HOUSING RENTS	£5,000 or over cases	0.00	0.00	0.00	0.00	0.00
Total		0.00	3,113.38	1,037.83	3,143.83	3,048.57
NON DOMESTIC RATES	Under £5,000 cases	37,074.12	75,016.54	70,809.92	39,115.54	54,011.11
NON DOMESTIC RATES	£5,000 or over cases	252,084.33*	166,412.60*	44,546.85	76,663.15	84,187.61
Total		289,158.45	241,429.14	115,356.77	115,778.69	138,198.72
GRAND TOTAL		408,214.64	451,192.98	349,998.22	383,562.68	369,121.76

* of the £252,084.33, just three companies becoming insolvent accounted for £49,200.47, £83,674.59 and £56,813.18 of the total

Report to: **Executive**

Date: **20 July 2017**

Title: **Write Off Report 2017/18 Q1**

Portfolio Area: **Support Services**

Wards Affected: **All**

Relevant Scrutiny Committee:

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

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

Contact: **Ext. 1413 lisa.buckle@swdevon.gov.uk**

Recommendations:

The Executive notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual South Hams District Council debts totalling £55,319.54 as detailed in Tables 1 and 2.

The Executive approves the write off of individual debts in excess of £5,000 totalling £22,367.17, as detailed in Table 3.

1. Executive summary

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

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

This report covers the period 1st April 2017 to 30th June 2017.

2. Background

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

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

South Hams District Council's collection rates for 2016/17 were; Council Tax 98.12% & Business Rates 96.83%.

In the first quarter of 2017/18 the Council has collected £19.9 million in Council Tax and £10.3 million in Business Rates. The total collectable debt for 2017/18 (as at 30th June) for Council Tax is £66.4 million and for Business Rates is £32.0 million.

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

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £2,574,766.10. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.

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

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

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

A record is kept of debts written off, together with the reason for doing so, so that if there is a realistic chance of recovery in the future a debt may be resurrected and pursued again.

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

Supporting Information

Appendices:

- Table 1 – Council debt under £5,000 written off by the Section 151 Officer
Table 2 – Non-Domestic Rate debt under £5,000 written off by the Section 151 Officer
Table 3 – Summary of items over £5,000 where permission to write off is requested
Table 4 – National & Local Collection Statistics re 2016 / 17 Collection Rates
Table 5 – Quarterly income in 2016 / 17 relating to all years
Table 6 – Previous Year Write Off Totals

Background Papers:

- Section 151 Local Government Act 1972
Section 44 Local Government Finance Act 1988 (Non Domestic Rate)
Section 14 Local Government Finance Act 1992 (Council Tax)
Recovery Policy

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	Not Applicable

TABLE 1 SUMMARY OF SOUTH HAMS DISTRICT COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 1	Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	47	4		Overpaid Entitlement	21,514.65	51	21,514.65	15	8,634.93	69	33,471.63
	1	2		Bankruptcy	3,405.68	3	3,405.68	1	593.05	2	796.60
	-	-		Absconded	-	-	-	-	-	2	1,100.70
	-	-		Deceased	-	-	-	4	299.43	15	3667.12
	2			Not cost effective to pursue	5.67	2	5.67	33	1,459.63	46	1,775.70
	12	1		Uncollectable old debt	6,997.11	13	6,997.11	-	-	65	27545.59
Total	62	7			31,923.11	69	31,923.11	53	10,987.04	199	68,357.34
COUNCIL TAX	2	-		Absconded	744.48	2	744.48	-	-	70	40,237.06
	-	-		Administrative Receivership	-	-	-	-	-	1	1,224.21
	8	5		Bankruptcy	19,453.49	13	19,453.49	1	1,353.16	33	26,773.69
	-	-		Deceased	-	-	-	-	-	9	1,433.79
	1	-		Small balance	20.00	1	20.00	1	5.12	9	108.41
	5	1		Other	3,178.46	6	3,178.46	13	3,179.55	47	23,709.53
	-	-		Uncollectable old debt	-	-	-	-	-	-	-
	-	-		Voluntary Bankruptcy	-	-	-	-	-	-	-
Total	16	6			23,396.43	22	23,396.43	16	4,537.83	169	93,486.69
SUNDRY DEBTS	-	-		Absconded	-	-	-	-	-	-	-
	-	-		Bankruptcy/DRO/IVA/CVA	-	-	-	-	-	-	-
	-	-		Not cost effective to pursue	-	-	-	-	-	-	-
	-	-		Other	-	-	-	-	-	1	1,321.50
	-	-		Administrative Receivership	-	-	-	-	-	-	-
	-	-		Small balance	-	-	-	-	-	-	-
Total	-	-			-	-	-	-	-	1	1,321.50
HOUSING RENTS	-	-		Bankrupt	-	-	-	-	-	-	-
	-	-		Not cost effective to pursue	-	-	-	-	-	-	-
	-	-		Absconded	-	-	-	-	-	-	-
	-	-		Uncollectable old debt	-	-	-	-	-	-	-
	-	-		Other	-	-	-	-	-	1	270.00
-	-		Deceased	-	-	-	-	-	-	-	
Total	-	-			-	-	-	-	-	1	270.00
Grand Total	78	13			55,319.54	91	55,319.54	69	15,524.87	370	163,435.53

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

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 1	Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	-	-	Absconded	-	-	-	-	-	1	1,165.70
	-	-	-	Administrative Receivership	-	-	-	-	-	-	-
	-	-	-	Liquidation	-	-	-	-	-	18	24,351.39
	-	-	-	Voluntary Bankruptcy	-	-	-	-	-	-	-
	-	-	-	Other	-	-	-	-	-	6	5,148.64
	-	-	-	Uncollectable old Debt	-	-	-	-	-	-	-
	-	-	-	Bankruptcy	-	-	-	-	-	2	2,147.05
-	-	-	Deceased	-	-	-	-	-	-	-	
Total	-	-	-		-	-	-	-	-	27	32,812.78

TABLE 3 SUMMARY OF ITEMS OVER £5,000 WHERE PERMISSION TO WRITE OFF IS REQUESTED

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
			Quarter 1	Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
			Amount (£)	Case	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	-	Administrative Receivership	-	-	-	-	-	-	-
	-	Liquidation	-	-	-	-	-	3	26,662.91
	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy	-	-	-	-	-	1	9,650.91
	-	Uncollectable old Debt	-	-	-	-	-	-	-
	-	Voluntary Bankruptcy	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	1	10,814.18
Total	-		-	-	-	-	-	5	47,128.00
HOUSING BENEFIT	-	Deceased	-	-	-	-	-	-	-
	1	Overpaid Entitlement	7,177.42	1	7,177.42	1	5,394.07	1	5,394.07
	1	Uncollectable	5,558.67	1	5,558.67	-	-	-	-
	1	Bankruptcy	9,631.08	1	9,631.08	-	-	-	-
Total	3		22,367.17	3	22,367.17	1	5,394.07	1	5,394.07
COUNCIL TAX	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy	-	-	-	-	-	-	-
	-	Voluntary Arrangement	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	
Grand Total	3		22,367.17	3	22,367.17	1	5,394.07	6	52,522.07

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2016-17 COLLECTION RATES

Total amount collected in 2016-17 relating to 2016-17 financial year only (net of refunds relating to 2016-17)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 16/17 - £000s	Net Cash Collected* i.r.o. 16/17 - £000s	Amount Collected i.r.o. 16/17 - %age	Collectable Debit i.r.o. 16/17 - £000s	Net Cash Collected* i.r.o. 16/17 - £000s	Amount Collected i.r.o. 16/17 - %age
All England	26,797,092	26,038,596	97.2	24,643,214	24,205,471	98.2
Shire Districts	12,285,320	12,047,031	98.1	7,988,405	7,861,058	98.4
East Devon	94,072	93,145	99.0	35,024	34,571	98.7
Exeter	58,500	56,631	96.8	81,594	79,281	97.2
Mid Devon	47,266	46,369	98.1	15,924	15,793	99.2
North Devon	55,106	53,567	97.2	32,249	30,995	96.1
Plymouth	112,379	108,918	96.9	94,732	93,726	98.9
South Hams	62,914	61,729	98.1	32,850	31,808	96.8
Teignbridge	79,657	78,492	98.5	32,897	32,701	99.4
Torbay	70,863	67,673	95.5	38,589	37,279	96.6
Torrige	38,659	37,965	98.2	11,617	11,387	98.0
West Devon	35,504	34,529	97.3	11,328	11,068	97.7

Net Cash Collected is total 2016-17 receipts net of refunds paid, in respect of 2016-17 only

TABLE 5 QUARTERLY INCOME IN 2016-17 RELATING TO ALL YEARS

Total amount collected in 2016-17 relating to any financial year (net of all refunds in 2016-17)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between 1 st April – 30 th June	18,681	9,317
Quarter 2 - Receipts collected between 1 st July – 31 st September	17,169	8,486
Quarter 3 - Receipts collected between 1 st October – 31 st December	17,775	7,611
Quarter 4 - Receipts collected between 1 st January – 31 st March	8,446	4,527

* Net Cash Collected is total receipts in 2016-17 net of refunds paid, irrespective of the financial year (previous, current or future years) to which they relate

TABLE 6 PREVIOUS YEAR WRITE OFF TOTALS

		2016 - 17	2015 - 16	2014 - 15	2013- 14	2012 - 13	2011 - 12
HOUSING BENEFIT	Under £5,000 cases	68,357.34	57,038.07	102,138.53	75,357.30	87,095.83	74,868.17
HOUSING BENEFIT	£5,000 or over cases	5,394.07	7,177.42	0.00	14,903.19	61,925.43	0.00
Total		73,751.41	64,215.49	102,138.53	90,260.49	149,021.26	74,868.17
COUNCIL TAX	Under £5,000 cases	93,486.69	54,831.67	97,927.30	117,528.97	96,025.52	112,674.76
COUNCIL TAX	£5,000 or over cases	0.00	0.00	0.00	23,090.93	6,782.09	12,160.58
Total		93,486.69	54,831.67	97,927.30	140,619.90	102,807.61	124,835.34
SUNDRY DEBTS	Under £5,000 cases	1,321.50	9.03	6,584.63	2,723.23	12,811.29	28,170.96
SUNDRY DEBTS	£5,000 or over cases	0.00	0.00	0.00	0.00	0.00	0.00
Total		1,321.50	9.03	6,584.63	2,723.23	12,811.29	28,170.96
HOUSING RENTS	Under £5,000 cases	270.00	0.00	3,113.38	1,037.83	3,143.83	3,048.57
HOUSING RENTS	£5,000 or over cases	0.00	0.00	0.00	0.00	0.00	0.00
Total		270.00	0.00	3,113.38	1,037.83	3,143.83	3,048.57
NON DOMESTIC RATES	Under £5,000 cases	32,812.78	37,074.12	75,016.54	70,809.92	39,115.54	54,011.11
NON DOMESTIC RATES	£5,000 or over cases	47,128.00	252,084.33*	166,412.60	44,546.85	76,663.15	84,187.61
Total		79,940.78	289,158.45	241,429.14	115,356.77	115,778.69	138,198.72
GRAND TOTAL		248,770.38	408,214.64	451,192.98	349,998.22	383,562.68	369,121.76

* 2015-16; of the £252,084.33, £49,200.47 relates to one business going into liquidation, £83,674.59 relates to another business going into liquidation and a further £56,813.18 relates to an individual entering into a Voluntary Arrangement.