

# West Devon Hub Committee



West Devon  
Borough  
Council

<b>Title:</b>	<b>Agenda</b>
<b>Date:</b>	<b>Tuesday, 31st October, 2017</b>
<b>Time:</b>	<b>12.30 pm</b>
<b>Venue:</b>	<b>Chamber - Kilworthy Park</b>
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Cllr Sanders <b>Vice Chairman</b> Cllr Samuel</p> <p><i>Members:</i> Cllr Edmonds Cllr Oxborough Cllr Jory Cllr Parker Cllr Moody Cllr Sampson Cllr Mott</p>
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
<b>Committee administrator:</b>	Member.Services@swdevon.gov.uk

**1. Apologies for absence**

**2. Declarations of Interest**

Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting.

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

**3. Items Requiring Urgent Attention**

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

**4. Confirmation of Minutes**

Minutes of meeting held 12 September 2017

**1 - 6**

**5. Formation of a Community Lottery for West Devon and South Hams**

**7 - 28**

**6. Medium Term Financial Position**

**29 - 80**

**7. Write off Report 2017/18 Quarter 2**

**81 - 90**

**8. Meadowlands Leisure Contract**

**91 - 102**

**9. Insurance Contract**

**103 - 108**

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

If any, the Committee is recommended to pass the following resolution:

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

**10. Request for Grant of a Long Lease - to follow**

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# Agenda Item 4

At a Meeting of the **HUB COMMITTEE** held at the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the 12<sup>th</sup> day of **SEPTEMBER, 2017** at **2.00pm**

**Present:** Cllr P R Sanders – Chairman

Cllr C Edmonds  
Cllr J B Moody  
Cllr G Parker

Cllr N Jory  
Cllr C Mott

**In attendance:** Executive Director (Strategy and Commissioning)  
Executive Director (Service Delivery and Commercial Development)  
Section 151 Officer  
Group Manager Commercial Services  
Group Manager Business Development  
Monitoring Officer  
Specialist Manager  
Case Management Manager  
COP Lead Environmental Health  
Solicitor  
Senior Specialist Democratic Services

**Other Members in attendance:**

Cllrs Cheadle, Cloke, Lamb, Leech, Moyse and Sheldon

**\*HC 16 APOLOGIES FOR ABSENCE**  
Apologies for absence were received from Cllrs Oxborough, Sampson and Samuel.

**\*HC 17 DECLARATIONS OF INTEREST**  
Members were invited to declare any interests in the items of business to be discussed but none were made.

**\*HC 18 MINUTES**  
The Minutes of the Hub Committee meeting held on 18 July 2017 were confirmed and signed by the Chairman as a correct record.

**\*HC 19 LEAD MEMBER UPDATE – CLLR MOODY**  
In setting the scene for his update, Cllr Moody informed that, as the lead Member for Health and Wellbeing, his scope of duties included:

- Housing;
- Disabled Facilities Grants;
- Homelessness;
- Benefits;
- Council Tax; and
- Environmental Health and Licensing.

In his presentation, Cllr Moody made particular reference to:-

- (a) the emphasis on Channel Shift. In highlighting the increased trend in online transactions, Cllr Moody confirmed that he would continue to promote channel shift opportunities and urged his fellow Members to do likewise;
- (b) future challenges and opportunities facing his portfolio area. Looking ahead, Cllr Moody highlighted the following specific challenges and opportunities:-
  - Impact of the roll-out of Universal Credit;
  - Impact of the Homelessness Reduction Act;
  - Changes to the Licensing charging regime;
  - Ability to charge for providing technical advice;
  - Building upon the successes of the Social Prescribing pilot study whilst realising that the initial grant funding was no longer available;
  - Having sufficient resources in order to manage the risk to public health and wellbeing by a combination of proactive and reactive measures;
  - Continuing to develop and roll-out the adopted Health and Wellbeing Strategy; and
  - The need to maintain an effective regulatory, partnership and preventative agenda in spite of the immediate financial challenge.
- (c) attendance at stakeholder meetings. Members were informed that it was the intention of Cllr Moody to attend (and represent the Council) at a number of relevant multi-disciplinary stakeholder meetings;

In conclusion, Members thanked Cllr Moody for his informative presentation and, in light of the amount of information that was divulged, requested that his supporting notes be circulated to the wider membership. Furthermore, to raise the profile of the Health and Wellbeing portfolio, it was requested that the Members' Bulletin be used to regularly promote relevant information (e.g. homelessness trends, Universal Credit progress updates; and updates on the Social Prescribing agenda).

## HC 20

### **THE GOVERNMENT'S PROPOSED 20% INCREASE IN PLANNING FEES**

Members were presented with a report that recommended that, as soon as the legislation was amended to allow for such an increase, the Council increase its planning fees by 20%.

The report also recommended that an appraisal be undertaken of resource and performance levels across the wider planning function to ascertain the best use of the additional resource.

The Lead Member for Customer First introduced the report and, in discussion, it was stressed that the wider planning function also included Planning Enforcement and Strategic Planning. As a consequence, a Member emphasised that these areas must equally be considered during the proposed appraisal of resources and performance levels. Indeed, such was the strength of feeling that an addition to the recommendation was **PROPOSED** and **SECONDED** whereby the lead Hub Committee Members for Customer First and Strategic Planning should also be part of the consultation process into the proposed appraisal. When put to the vote, this addition was declared **CARRIED**.

The Member of the Performance Measures Joint Task and Finish Group, who had been designated responsibility for reviewing the planning related indicators, also took the opportunity to advise that this review had now commenced.

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

1. Planning fees be increased by 20% once primary legislation was confirmed; and
2. An appraisal be undertaken of resource and performance levels across the wider planning function to ascertain the best use of the additional resource, to be approved by the Head of Paid Service in consultation with the Section 151 officer, the Leader of Council and the Lead Hub Committee Members for Customer First and Strategic Planning.

#### **HC 21 STREET NAMING AND NUMBERING POLICY**

Members were presented with a report that recommended to Council the adoption of a revised joint Street Naming and Numbering Policy.

The Lead Member for Customer First introduced the report and it was confirmed that those charges related to Street Naming and Numbering would be revisited as part of the annual overall fees and charges review.

It was then **RESOLVED** that Council be **RECOMMENDED** to adopt the revised joint Street Naming and Numbering Policy (as outlined at Appendix A of the presented agenda report).

#### **HC 22 O&S DRAFT TERMS OF REFERENCE AND PROCEDURE RULES**

Members were presented with a report that requested that the amended Overview and Scrutiny Committee Terms of Reference and Procedure Rules (as outlined in presented Appendices A and B respectively) be recommended to Council for approval.

In discussion, the following points were raised:-

- (a) It was confirmed that reference to individual officer names would be removed from the documents prior to their final publication;
- (b) In support of the amended documents, Members acknowledged that their previous concerns had now been addressed.

It was then **RESOLVED** that Council be **RECOMMENDED** that the amended Overview and Scrutiny Committee Terms of Reference and Procedure Rules (as outlined at presented Appendices A and B respectively) be approved.

#### **\*HC 23 LOCAL AUTHORITY CONTROLLED COMPANY (LACC) PROJECT REVIEW AND CLOSURE REPORT**

Members were presented with a report that set out a review of the Local Authority Controlled Company Project and closure of that project.

The Leader introduced the report and, with no questions or issues raised, it was then **RESOLVED** that the Local Authority Controlled Company project closure report be noted.

#### **HC 24 BUSINESS RATES PILOT 2018/19**

Members were presented with a detailed report that recommended to Council to apply to become a business rates pilot for 2018-19, as part of a Devonwide business rates pilot bid, to pioneer new pooling and tier-split models.

The Leader introduced the report and he and the Section 151 Officer responded to specific questions. In so doing, the Hub Committee was informed that the local authorities based in Somerset had not been approached to be part of this pilot bid.

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

1. apply to become a business rates pilot for 2018-19, as part of a Devonwide business rates pilot bid, to pioneer new pooling and tier-split models; and
2. delegate to the Section 151 Officer, in consultation with the Leader, Deputy Leader and Head of Paid Service, to agree the detail of the business rates pilot bid (in conjunction with Devon Local Authority Section 151 Officer colleagues) with respect to the financial aspects and overall governance of the pilot bid.

#### **HC 25 FRONT LINE SERVICE COMMISSIONING OPTIONS**

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

Members were presented with an exempt report that set out a number of options relating to the procurement and commissioning of front line services.

With regard to the draft project governance, it was felt that the current wording could be misinterpreted to suggest that the Project Board had significant decision-making powers. As a consequence, Members requested that a minor amendment be made to the draft Memorandum of Understanding to ensure that it was clear that significant decisions related to the project would be reported to meetings of the Hub Committee and/or full Council for ultimate approval.

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

1. Waste collection, recycling and cleansing services are tested using the competitive dialogue procurement route to achieve a partnership solution in accordance with the Collaboration Agreement dated 2015;
2. The lead authority for the procurement in Recommendation 1 is West Devon Borough Council for the reasons outlined in paragraph 2.6 of the presented agenda report and in accordance with the Collaboration Agreement 2015;
3. West Devon Borough Council does not proceed with a wholly owned company bid for waste collection, recycling and cleansing services;



4. The Memorandum of Understanding and project board remit attached at Appendix D be approved, subject to a minor amendment being included to emphasise that significant decisions related to the project would be reported to meetings of the Hub Committee and/or full Council for ultimate approval;
5. The two councils continue to explore the establishment of a wholly owned company or joint venture arrangement for the delivery of grounds maintenance, building and facilities maintenance and other related services considered in the scope of the work stream; and
6. The Waste Options Earmarked Reserve in West Devon is used to meet any additional costs of procurement over and above those available within the base budget, with a payback mechanism being agreed once annual service costs are identified.

**\*HC 26 WASTE AND CLEANSING VEHICLES PROCUREMENT UPDATE REPORT**

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

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

With no issues or questions raised, it was then **RESOLVED** that progress made to date on the procurement of waste and cleansing vehicles for the West Devon managed service be noted.

**\*HC 27 REQUEST FOR GRANT OF A LONG LEASE**

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

Members were presented with an exempt report that sought approval to conclude detailed negotiations of a long lease for a term in excess of 15 years.

In debate, some concern was expressed over the potential implications on the ability to re-instate the railway line in the future and it was felt that further consideration and assurances were required in this respect.

As a consequence, it was then **RESOLVED** that this matter be deferred to a future meeting for further consideration.

**HC 28 PURCHASE OF LAND**

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

Members were presented with an exempt report that sought approval of a proposal to purchase land.

The Lead Hub Committee Member introduced the report and responded to some specific questions.

During the ensuing debate, some Members queried whether partaking in the discussion and vote on this matter would result in them being potentially accused of having pre-determined any planning application that was then presented to the Development Management and Licensing Committee. In response, the Monitoring Officer advised those Members who served on both Committees that they were in essence different roles and they could therefore partake in the debate and vote at meetings of both Committees.

Following this advice, it was then **RESOLVED** that:

1. The COP Lead Assets be authorised in consultation with the Section 151 Officer and Lead Member for Assets to proceed to undertake due diligence and conclude the purchase of three parcels of land (as indicated on the presented plan); and
2. Council be **RECOMMENDED** to fund the purchase price set out in section 1.1 of the presented agenda report, along with legal and associated costs, from the Innovation Fund (Invest to Earn) Earmarked Reserve.

(The meeting terminated at 4.10 pm)

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Chairman

## Formation of a Community Lottery for West Devon & South Hams

Report to:	<b>Hub Committee</b>
Date:	<b>31 October 2017</b>
Title:	<b>Formation of a Community Lottery for West Devon &amp; South Hams</b>
Portfolio Area:	<b>Cllr Neil Jory, Lead Member for Assets and Invest to Earn Group Member</b>
Wards Affected:	<b>All</b>
Approval and clearance obtained:	<b>Yes</b>
Urgent Decision:	<b>No</b>
Date next steps can be taken:	After Full Council on 5 December 2017
Author:	<b>Darren Arulvasagam, Group Manager, Business Development <a href="mailto:Darren.Arulvasagam@swdevon.gov.uk">Darren.Arulvasagam@swdevon.gov.uk</a></b>

**Recommendations:** The Hub Committee **RECOMMENDS** to Council to:

- 1) APPROVE & IMPLEMENT the proposed business case for the establishment of a joint West Devon and South Hams local community lottery scheme (subject to approval from South Hams District Council)
- 2) Appoint Gatherwell Ltd as an External Lottery Manager (ELM) & Aylesbury Vale District Council (AVDC) to assist with project implementation (subject to a successful Contract Exemption application)
- 3) Delegate to the Head of Paid Service to nominate two responsible officers to hold the Council's lottery licence and submit the necessary application to the Gambling Commission
- 4) Delegate to the Group Manager, Business Development in consultation with the Assets portfolio holder to approve the bespoke lottery business model policies required in order to submit a valid application to the Gambling Commission to obtain a lottery licence

### **1 Executive Summary**

- 1.1 This report sets out the proposal to implement a joint local community lottery scheme to benefit the residents of West Devon & South Hams.
- 1.2 The scheme will be shared across both areas to widen the appeal of the lottery and reach a wider audience of participating good causes and supporters / ticket buyers. A shared scheme recognises the fact that the West Devon Borough Council and South Hams District have a shared workforce and both Councils support many of the same Voluntary and Community Sector (VCS) groups.
- 1.3 Any promotional activity by the Councils will direct residents of both Councils to the shared lottery.

## Formation of a Community Lottery for West Devon & South Hams

- 1.4 In recognition of schemes that have been successfully operating in other local authority areas, the attached business plan (Appendix A) suggests that such a scheme could help raise over £100,000 per annum for local good causes. This amount could alleviate pressure on the Council's partnership / grants budget or be in addition to such awards at the Council's discretion. A full listing of the grants currently made by the Council to local good causes / VCS is shown in Appendix B.
- 1.5 It is proposed that an External Lottery Manager (ELM) is appointed to administer the scheme. The Council would contract with Aylesbury Vale District Council (AVDC) to project manage the formation of the lottery, the set-up of the lottery website, the application to the Gambling Commission and the preparation of the initial marketing materials and work to 'on-board' the local good causes.

## 2 Background

- 2.1 Lotteries have long been a way for smaller organisations to raise income. They are regulated by the Gambling Act 2005. There are different types of lotteries available; this proposal falls within the category of 'society lotteries'.
- 2.2 Society lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:
- for charitable purposes - For the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity
  - for any other non-commercial purpose other than private gain
- 2.3 There are two variants of society lotteries, the main difference being who issues the licence – local authorities permit small lotteries and the Gambling Commission permits large lotteries.

### A large society lottery:

- has proceeds that exceed £20,000 for a single draw
- has aggregate proceeds from lotteries in excess of £250,000 in any one year

### A small society lottery:

- does not have proceeds that exceed £20,000 for a single draw
- does not have aggregate proceeds from lotteries in excess of £250,000 in any one year

- 2.4 This proposal considers a 'large society lottery'. In all cases, lotteries have to deliver a minimum of 20 per cent of proceeds to good causes. This report recommends a lottery which sees over 50 per cent of proceeds going to good causes.
- 2.5 The proposal is for a lottery that is focused on:
- 2.5.1 *Delivering the proceeds locally* – a West Devon & South Hams lottery would deliver benefits only to local causes; players can be *assured that*

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*the proceeds will stay in the Borough & District. Appendix A explains how these will be allocated.*

- 2.5.2 *Maximising benefits to the community* - to bolster support and to help in continuing the good work West Devon & South Hams already does with the voluntary and community sector (VCS). To achieve this there needs to be a significant benefit being delivered to the VCS.
- 2.5.3 *Minimising costs* – through the appointment of a recognised ELM there are minimal set-up costs (£15,000 max) and running costs are paid for out of the lottery ticket sales. Unlike the national lottery, where only 28 per cent of ticket sales goes to good causes, over 50 per cent of ticket sales goes to good causes.
- 2.5.4 *Delivering winners locally* – whilst anyone can play, it is likely that players will be locally-based and hence it will be easier to maximise the value from winners' stories, encouraging more participation.
- 2.5.5 *Facilitating a wider benefit* – whilst the lottery will help current funding of local VCS groups, it will also enable VCS groups to fundraise in partnership with the local authority and hence can be seen as the Council enabling local groups to help themselves. It will enable groups to access lottery funding without facing barriers such as licensing, administration or ability to support such an endeavour. Appendix A1 explains this in detail.

### **2.6 Gambling Responsibility**

Lotteries are the most common type of gambling activity across the World, and considered to be a 'low risk' form with respect to the emergence of problem gambling. This is due to its' relatively controlled form. The West Devon & South Hams Lottery will help mitigate against many of the issues related to addictive gambling by:

- 2.6.1 The lottery only being only playable online, via direct debit and by pre-arranged sign up. Cash cannot be used to acquire tickets
- 2.6.2 There being no 'instant' gratification', 'instant win' or 'instant reward'
- 2.6.3 There being no 'high profile' activity surrounding the weekly draw
- 2.6.4 It being possible to put a maximum cap on the number of tickets an individual can purchase
- 2.7 In addition, the West Devon & South Hams Lottery website will contain a section providing links to gambling support organisations.
- 2.8 In this way the West Devon & South Hams Lottery should not significantly increase problem gambling; and the benefits to VCS / good causes in the District & Borough from the proceeds of the lottery balances against possible negative issues.
- 2.9 It is important to note that the proposed lottery will see 60% of the proceeds from ticket sales going to VCS / good causes as directed by

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the ticket purchase. By contrast the UK national lottery only sees 28% of the proceeds from ticket purchases going to VCS. Appendix A explains this in more detail. In addition, any VCS / good cause that complies with the criteria as detailed in Appendix A1 can obtain funding through the lottery – there is no such direct benefit for these same VCS / good causes via the National Lottery.

### **2.10 Invest to Earn**

The West Devon Invest to Earn Member Group discussed the formation of this lottery and agreed at its meeting on 31<sup>st</sup> August 2017 that a report to Hub Committee recommending approval and implementation should be presented in October 2017. Whilst Members felt that lotteries were a form of gambling, they appreciated the fact that the lottery proposed would appeal more to those with altruistic rather than 'get rich quick' aims. The group also acknowledged that the proposed lottery presented VCS groups with a way to increase their income at a time when the Council would need to question the long-term sustainability of its own VCS funding.

## **3. Outcomes / Outputs**

3.1 Please see the associated business plan (Appendix A) for details of the potential income the lottery could generate for the VCS / good causes who join the scheme.

3.2 The income generated by the proposed lottery could increase funding to local VCS / good causes or help ease the financial pressure on these VCS / good causes if the Council were to reduce its discretionary funding to such VCS / good causes in the future. A list of the current grants / funding to such groups is shown in Appendix B. It is proposed that the Council considers using any saving made in this discretionary spend to fund the Council promotional and marketing costs of operating the lottery.

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

4.1 In essence the options for delivery of a lottery are either in-house or through an External Lottery Manager (ELM).

4.2 **In-house** - this option would see the setting up of the necessary posts and systems to run a lottery in-house. This has not been fully costed, but it is considered somewhere in the region of a £80-100k for set-up costs alone. This would include a lottery manager and the necessary system development to enable the lottery to run.

4.3 **External Lottery Manager (ELM)** - this recommended option would see a partnership with an existing deliverer of lotteries in the market place. This in effect means 'buying in' the skills and expertise of an existing provider and sharing the risk with them to deliver the lottery. The ELM will deliver all aspects of running the lottery, from ticket purchase and payments, prize management, and licensing, and share with West Devon Borough Council / South Hams District Council and local VCS groups the role of marketing.

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- 4.4 It is proposed that an External Lottery Manager (ELM) is appointed to administer the scheme. Whilst there are a number of ELMs in the market, Gatherwell Ltd, in conjunction with Aylesbury Vale District Council (AVDC) are the only provider to offer a model which allows the Council to outsource all responsibility for the administration, set-up and ongoing maintenance of the lottery to a third party. In addition, Gatherwell Ltd offer the only solution which eliminates prize fund risk (through insurance, see appendix A for more details) to the Council. As this is the only option which achieves these aims and the model has been proven by other local authorities, no detailed, costed comparison has been prepared.
- 4.5 Gatherwell will work with the Council to set-up and bespoke the lottery platform for the new scheme and thereafter operate the lottery on a day to day basis. The initial set-up cost (£3,000, which will be split 50/50 between the two Councils if approved) covers the provision of the platform as a one off implementation cost and thereafter they cover their costs from the 20% of ticket sale proceeds. More detail about this can be found in Appendix A.
- 4.6 AVDC will be appointed to complete the start-up implementation, i.e. prepare the business case, assist with the licence application, write the bespoke policies, provide a comms strategy and marketing templates, assist with the VCS / good cause comms and on-boarding process. AVDC will also provide ongoing advice and tips for future development. AVDC will charge the Councils a total of £10,000 for this work. This will be split 50/50 between the two Councils if approved.
- 4.7 It is not proposed that the initial set-up cost is recouped. However, the formation of the lottery will enable VCS / good causes to find a solution to help protect their income if the Council were to be forced to reduce its direct funding of VCS / good causes due to financial sustainability concerns.
- 4.8 A contract procurement rule exemption will be prepared if Members approve the set-up of a lottery as the set-up costs and ongoing licence and marketing costs exceed the one quotation threshold of £7,501.
- 4.9 Members could opt not to pursue the setting up of a lottery scheme. However, West Devon Borough Council currently grants over £145,000 (see Appendix B for a breakdown of these) in partnership / grant funding towards numerous good causes / social oriented organisations and with the impending financial challenges, this level of funding may be unsustainable in the future. Setting up a lottery scheme, where local residents and ticket buyers directly support such good causes can help soften the impact of any potential future Council reduction in funding.

## **5 Proposed Way Forward**

- 5.1 It is proposed to implement a community lottery of the type set out in this report, replicating that which has been successfully implemented by a number of other local authorities including Aylesbury Vale District Council (AVDC), Torbay Council, Wycombe District Council, Corby

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Borough Council, Portsmouth Council, and Gloucester City Council. It is not proposed that the Council combines with an existing lottery as the VCS / good causes registered may “compete with” or not operate in all Council areas. It is also important that the good causes which are part of the scheme fit with the Council’s criteria as detailed in Appendix A1. This may not be the case with a shared lottery scheme across numerous localities. The benefits of a local lottery and benefits to the local community are discussed further in paragraph 2.5.

- 5.2 Whilst those areas are less rural than West Devon & South Hams, it is felt that combining the two Council areas and the marketing capability of the VCS within those areas, along with the marketing reach of the two Councils will generate sufficient ticket sales to justify the set-up costs and the value this will generate for the local VCS.
- 5.3 The delivery of a local lottery in West Devon & South Hams will enable local community groups / VCS to access and benefit from a nationally recognised funding model developed by AVDC in partnership with an external lottery manager.
- 5.4 Councillors are recommended to approve the business case attached (Appendix A) and agree to implementation of a local lottery scheme (in conjunction with South Hams District Council) by appointing Gatherwell Ltd as an External Lottery Manager (ELM) in line with the principles outlined in the business case and this report.
- 5.5 In order to submit the necessary application to the Gambling Commission, it is recommended that Members delegate authority to the Head of Paid Service to nominate two responsible officers (SLT) to hold the Council’s lottery licence and give delegated authority to the Group Manager, Business Development (in consultation with the Assets portfolio holder) to approve the bespoke lottery business model policies required in order to submit a valid application to the Gambling Commission to obtain a lottery licence.
- 5.6 The lottery will only be progressed if both West Devon and South Hams approve its formation.

## 6 Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal/ Governance	Y	<p>The local authority can operate this scheme under its general powers of competence as provided by the Localism Act 2011.</p> <p>The scheme would be licensed by the Gambling Commission who would regulate the scheme under the Gambling Act 2005. They would ensure that the organisations participating in the scheme met agreed criteria such as they provide local activities or services, are properly constituted and have governance arrangements. The Gambling Commission also ensure the scheme is compliant to the licensing code of practice for gambling responsibly.</p>



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		<p>The Council will hold a contract with the ELM (Gatherwell Ltd), subject to a successful contract exemption application. Gatherwell will receive a payment for the set-up cost (£3K) and will obtain a benefit from this service through the accrual of 17% of each ticket sale. Therefore, based on another authority's experience of 2,000 ticket sales per week, Gatherwell would receive £340 to cover their costs. Over a year this is £17,680. The Councils do not pay this themselves, it is recovered by Gatherwell purely from ticket sales. This would be Gatherwell Ltd.'s total income from the scheme, which effectively would accrue 50/50 from West Devon and South Hams. Gatherwell take on the risk of not recovering costs from lower ticket sales.</p> <p>There is no guarantee that this level of income would be achieved, as it depends on take up of ticket sales. This type of arrangement is covered under the Concession Contract Regulations 2016. But these regulations only apply with a contract value above £400,000. A procurement contract exemption will be prepared if Members approve the set-up of a lottery as the set up costs and ongoing licence and marketing costs exceed the Council's one quotation threshold of £7,501.</p> <p>The Council will have 2 licenced individuals with responsibility for overseeing the scheme. If approved, the Head of Paid Service will nominate 2 SLT officers to hold these licences on behalf of the Council.</p> <p>A licence application is required to be submitted to the Gambling Commission and the lottery can only be formed on successful application.</p> <p>A number of bespoke policies will need to be prepared to apply for the lottery licence:</p> <ul style="list-style-type: none"> <li>• Children and Vulnerable Person Protection policy</li> <li>• Fair and Open Gambling policy</li> <li>• Implementation procedures policy</li> <li>• Protection from Source of Crime and Disorder policy</li> <li>• Social Responsibility in gambling policy.</li> </ul> <p>If approved, it is recommended that responsibility for preparing these is delegated to the Group Manager, Business Development (in consultation with the Assets portfolio holder).</p>
Financial	Y	<p>Set up costs as a one-off: £13,000. This amount will be shared 50/50 with South Hams District Council (i.e. £6,500 each).</p> <p>Ongoing licence and marketing costs up to a maximum of £4 - £5k per annum (again to be split 50/50) – however, these costs will be deducted from revenues from ticket sales. See Appendix A for further details.</p> <p>The initial set-up costs can be funded from the Invest to Earn (Innovation fund) earmarked reserve which has a sufficient uncommitted balance.</p> <p>It is envisaged that the ongoing running costs are funded from the saving that the lottery can create in the grants /</p>

## Formation of a Community Lottery for West Devon & South Hams

		partnerships budget. More detail about this can be found in Appendix A.
Risk	Y	<p>There are three main risks:</p> <ul style="list-style-type: none"> <li>i. That the scheme does not attract sufficient ticket purchases per week to make the scheme viable. If the scheme becomes unviable then it can be ceased and the Council would not reapply for its licence after the end of year one (or any year after it becomes unviable). Therefore the maximum financial risk to the Council in any given year is the cost of the licence (max £1,000) and any money expended (e.g. promotions) in marketing the lottery scheme (max £5,000).</li> <li>ii. That the prize awards exceed those predicted. The top prizes are insured by the ELM. Lower prizes are simply re-entries into the draw. All of this is funded from the prize fund, which itself is funded by the ELM's share of the ticket sales. The Council is not exposed to prize fund risk due to the contract it will hold with the ELM.</li> <li>iii. Reputational, in that the scheme is seen to encourage gambling (see paragraph 2.6 above for mitigations).</li> </ul>
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	Y	<p>The scheme has the potential to have a positive impact on people with protected characteristics, as they will benefit from services or activities provided through the local community groups. Which people with protected characteristics will benefit is difficult to say until the community groups / good causes / VCS apply.</p> <p>People without a bank account or payment cards may feel excluded as they will be unable to take part. The council should feel confident they it can justify not taking cash payments as a proportionate means of achieving a legitimate aim, i.e. to reduce the risk of gambling addiction. By taking payments online, with no instant win option, the risk of the draw appealing to gamblers is reduced. The lottery is a giving scheme using a gambling infrastructure model.</p> <p>There is likely to be a neutral impact on religious groups who may not agree with gambling as a method of raising income. However, marketing the scheme with the promotion of good causes / VCS as its focus should help alleviate this.</p> <p>Bespoke lottery business model policies will be developed to accompany the application to the Gambling Commission to obtain an operator licence.</p>
Safeguarding	Y	Not applicable – Bespoke lottery business model policies will be developed to accompany the application to the Gambling Commission to obtain an operator licence.
Community Safety, Crime and Disorder	Y	Not Applicable – Bespoke lottery business model policies will be developed to accompany the application to the Gambling Commission to obtain an operator licence
Health, Safety and Wellbeing	Y	As discussed in report, paragraph 2.6

## Formation of a Community Lottery for West Devon & South Hams

Other implications	N	Not Applicable – Bespoke policies will be developed to accompany the application to the Gambling Commission to obtain an operator licence
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### Appendices:

Appendix A – South Hams & West Devon Lottery Business Plan

Appendix B – Breakdown of Partnership grants and funding for SHDC and WDBC

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted	<b>n/a</b>

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# **South Hams District Council & West Devon Community Lottery Business Plan**

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## **Introduction & Background**

### **Strategic Context**

South Hams District Council covers an area of 342 square miles on the south coast of Devon and includes the towns of Totnes, Dartmouth, Kingsbridge, Ivybridge and Salcombe. West Devon Borough Council covers the towns of Chagford, Okehampton, Hatherleigh, Yelverton and Tavistock. The population (aged over 16) for both areas totals 114,500, according to the 2011 census.

South Hams and West Devon respectively have a corporate 'Our Plan' - a strategic plan that sets out the vision, objectives and activities of the two Council's. The two have a close working arrangement and have recently, in conjunction with Plymouth, prepared a Joint Local Plan – a strategic plan for the combined area to 2034.

The Councils have a vision of supporting vibrant towns and villages and enhancing the quality of life for individuals and communities whilst conserving the natural environment. The two councils share a workforce and have a single marketing team.

Many of the Voluntary and Community Services (VCS) organisations and good causes supported by the Councils receive funding from both Councils, hence the proposal to form a single shared lottery. The development of a community lottery meets the objective of empowering residents to create strong communities.

In this respect, the development of a local authority lottery has recently been proven in a number of other councils, including neighbouring Torbay, and would be suited to the South Hams and West Devon area.

This business plan formulates how the lottery will operate including financial forecasts.

### **Purpose and Rationale of the South Hams and West Devon Lottery**

Whilst there is continued pressure on local authority budgets, the implementation of a local lottery scheme can be seen to be helping communities to help themselves. A local lottery scheme has been implemented successfully by a number of local authorities and for a relatively low investment the scheme is proven to be raising significant sums per annum.

Under the scheme any voluntary or community sector (VCS) organisation, including existing council funding beneficiaries and other local groups will be able to apply to be part of the South Hams and West Devon Lottery, so long as they meet the eligibility criteria (See Appendix A1). This eligibility criteria reflects a broadened version of the grants criteria agreed by Members.

The Council will continue to award grant funding to local community groups and projects and it is proposed that this scheme will provide an additional income opportunity for VCS groups to access an unfettered funding source to support their activities.

### **Customer Insight**

In developing the South Hams and West Devon Lottery proposal we have explored the delivery of other schemes, including the Vale Lottery run by Aylesbury Vale District Council (AVDC). This has provided secondary research into both players/supporters and good causes. Evidence demonstrates 172 causes signed up to the AVDC scheme raising a gross annual income last year of over £129,000.

In turn, this has informed the unique selling point for the proposed lottery as being:

- **Delivering the proceeds locally** – South Hams and West Devon lottery would deliver benefits only to local causes, unlike the National Lottery.
- **Delivering winners locally** – whilst anyone could play, it is likely that players will be locally based and hence it will be easier to maximise PR value from winners' stories and encourage more participation.
- **Facilitating a wider benefit** – the lottery will support the ambitions and the targeted actions for South Hams and West Devon in circumstances where the Council is not able to do so.
- **Helping to improve residents' perceptions** – that South Hams and West Devon have an enabling role in support of the local VCS.

This business plan recognises that players will fall into one of two camps - those who are attracted by the possible prizes and those who are more altruistically motivated. This lottery proposal focuses on the latter of these groups, but has elements that could still appeal to a more prize-focused player.

## **Form of the South Hams and West Devon Lottery**

In supporting the outcomes of the lottery, the focus is on providing a lottery scheme that delivers a high level of funds to VCS groups as they are key to ensuring ongoing ticket sales in the long term. An External Lottery Management (ELM) operator, Gatherwell Ltd, will be appointed and their platform delivers the following benefits:

- reduced overhead costs - maximising benefits to the VCS.
- simple and easy to understand for the player.
- simple and easy to adopt for the VCS groups.
- promotes repeated but controlled re-purchasing - hence providing a steady funding stream for VCS groups.

The proposed form of the South Hams and West Devon Lottery therefore is:

- £1 ticket per week with a weekly draw
- only playable online
- funded only via Direct Debit, rolling monthly card payment, or block ticket purchase with single payment for 3, 6 or 12 months.
- 6 number self-selected ticket.
- delivered via an ELM - Gatherwell Ltd.

The draw will be made on a weekly basis at 8pm on a Saturday evening, It uses a bona fide lottery draw; in this case the Australian Super 66T draw. The community lottery draw will be announced in tandem at 8pm on a Saturday night.

Players have to have purchased cleared tickets by a deadline of midnight on the Friday before in order to be counted in that week's draw. Direct debit sign ups carry a cool off period and that period must have passed in order to be included in the draw for that week. The prize structure and odds for the draws are set out in the table below:



<b>Prize Structure</b>		
	<b>Winning Odds</b>	<b>£ Prize</b>
6 numbers	1,000,000:1	£25,000
5 numbers	55,556:1	£2,000
4 numbers	5,556:1	£250
3 numbers	556:1	£25
2 numbers	56:1	3 free tickets

NB: These odds are significantly more favourable than the National Lottery.

Distribution of proceeds from each ticket sold:

<b>Proceeds Apportionment</b>		
	<b>% Allocation</b>	<b>£ Allocation per ticket</b>
VCS groups	50	£0.50
South Hams District & West Devon Borough Council (split 50/50)	10	£0.10
Prizes	20	£0.20
ELM	17	£0.17
VAT	3	£0.03
<b>Totals</b>	<b>100</b>	<b>£1.00</b>

All prizes are the responsibility of the ELM through the fund. The ELM insures against prize fund risk. At no point is the Council liable for prize payouts. There is no roll over process if no jackpot winner is found. If 2 players win the jackpot, they both get the top payout - there is no sharing.

If a player chooses a specific cause when buying their ticket, then that cause / VCS gets 50% and the Council general pot receives 10% of every ticket. If the player doesn't choose a specific cause / VCS then 50% (plus the 10%) goes into the Council's general lottery pot.

The cost of running the lottery scheme is to be funded from the Council's general lottery pot. Any surplus funds will pay for the following year's lottery running costs and can be used to fund any Council grants / funding to VCS / good causes.

Any amount paid to a VCS from the ELM could be considered in subsequent years by the Council as good cause funding; therefore the Council could opt to reduce its direct funding to these VCS by the corresponding amount.

## **Method of Delivery**

Whilst South Hams and West Devon Council is a licensing authority in its own right and hence well aware of the restrictions and technical aspects of lottery management, it doesn't have experience of running lotteries directly. As such this scheme will be delivered through the use of an External Lottery Manager (ELM) Gatherwell Ltd.

The relationship between South Hams and West Devon and Gatherwell is summarised as:

### South Hams and West Devon Council

- responsible for the overall structure, form and control of the South Hams and West Devon Lottery (note the Gambling Commission are the licensing authority for lotteries).
- including explicit agreement to any VCS membership, as well as the groups' plans to publicise the lottery.
- delivered via two licensed members of staff through Annex A of the licence application.

### Gatherwell Limited

- responsible for all development and day to day running of the Lottery on behalf of South Hams District and West Devon Borough Council.
- this includes player management, financial management (including player funds and prizes and distribution to VCS), website management and ticket sales.

Gatherwell is licenced by the gambling commission as an external lottery manager running numerous society lotteries in the UK (Licence Number 000-036893-R-317859-004).

In summary South Hams District and West Devon Borough Council set the strategic approach, and will exercise control of the license, and Gatherwell fulfils the day to day delivery of this.

The relationship between South Hams and West Devon Council and Gatherwell will be subject to an initial one year contract for the delivery of these services. The councils will be able to extend this after the initial year, for no further initial / renewal cost. The one-off payment for the Gatherwell platform to be bespoke to the South Hams and West Devon Lottery is £3k and Gatherwell's costs going forward are to be recovered from their element of ticket sales (17%).

### Player Population, Financial Management and Modelling

There are c.114,500 possible resident players in the District & Borough (i.e. over 16, based on the 2011 Census). Technically the player population is much wider than this as there is no restriction on player location, however for simplicity this population is assumed to represent the vast majority of players.

Whilst it is difficult to assess the actual take up rates of players for the lottery, this will in part reflect the desire to play, the types and spread of VCS groups involved, and the marketing and support given to promote the lottery. The table below sets out a breakdown of possible player levels and the resulting financial split that these would produce.

Year	Ticket Price £	% of SHWD Player Pop.	Number of Players	Tickets bought per week	Number of weeks	Gross Return	SHWD share (10%)	Good Causes (50%)	Prizes (20%)	ELM (17%)	VAT (3%)	Overall sum raised for good causes
1	1	1.00%	1145	1	52	59540	5954	29770	11908	10122	1786.2	35724
2	1	1.50%	1718	1	52	89310	8931	44655	17862	15183	2679.3	53586
3	1	2.00%	2290	1	52	119080	11908	59540	23816	20244	3572.4	71448
4	1	2.50%	2863	1	52	148850	14885	74425	29770	25305	4465.5	89310
5	1	3.00%	3435	1	52	178620	17862	89310	35724	30365	5358.6	107172

NB: It is proposed that the SHWD share covers maintenance and running costs of the lottery scheme. Any surplus is to be used solely to fund VCS / good causes.

## Financial management

Gatherwell Limited will deliver all financial management elements of the South Hams and West Devon lottery. All funds are held by Gatherwell in a separate client deposit account.

Payments are collected monthly for direct debit and rolling card payments, or upfront in the case of block purchase of tickets (1, 3, 6 or 12 months) only. All funds must be in a financially cleared form prior to any prize draw.

Prize winners are notified by the ELM via email immediately after a draw if they have won. If prizes are not claimed, weekly reminders are sent to players.

The jackpot prize of £25,000 is an insured prize with Emirat (underwritten by Lloyds Banking Group). This avoids the need to accumulate this level of funding in advance. For initial draws prior to the prize pot being built, Gatherwell will also take out insurance to ensure that any prize payment can be made.

VCS group funds for distribution are similarly held in a separate client deposit account. The donations are distributed to the causes on a monthly basis direct to their bank accounts. The same process is applied to the £0.10 in every ticket to South Hams District and West Devon Borough Council.

All income accruing to the Council will be paid on a monthly basis by Gatherwell and will be held in separate budget codes within the Councils accounting system for distribution towards lottery running costs and VCS / partnership grants only, therefore maintaining a completely open and transparent process.

Any lottery disputes will be managed through the Independent Betting Adjudication Service (IBAS). Membership of the Lotteries Council will automatically give access to this service.

## Financial Forecast

The following 5 year forecast illustrates the allocation of income and expenditure for the Lottery. All costs and income are contained within the project.

%age take up of possible South Hams and West Devon Player population	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>INCOME</b>						
Start up costs	£5,350	£0	£0	£0	£0	Licence, lotteries Council membership and marketing
Annual South Hams and West Devon Council support	£0	£1,150.00	£1,449.60	£1,750.00	£2,050.40	Licence, lotteries Council membership and marketing
Ticket Sales	£59,540	£89,310	£119,080	£148,850	£178,620	
<b>Sub total</b>	<b>£64,890</b>	<b>£90,460</b>	<b>£120,530</b>	<b>£150,600</b>	<b>£180,670</b>	
<b>EXPENDITURE</b>						
Prize fund	£11,908	£17,862	£23,816	£29,770	£35,724	
Initial Licence application fees	£1,000	£0	£0	£0	£0	
Annual licence fees	£0	£500	£500	£500	£500	
Lotteries Council Membership	£350	£350	£350	£350	£350	
External Lottery Manager	£10,122	£15,183	£20,244	£25,304	£30,365	
Initial Lottery Platform costs	£3,000	£0	£0	£0	£0	
Launch marketing costs	£1,000	£0	£0	£0	£0	Annual Marketing covered by ELM funds.
Annual South Hams and West Devon funding distribution costs	£0	£300	£600	£900	£1,200	
VAT	£1,786	£2,679	£3,572	£4,466	£5,359	
<b>Sub total</b>	<b>£29,166</b>	<b>£36,874</b>	<b>£49,082</b>	<b>£61,290</b>	<b>£73,498</b>	
Expenditure - distribution to good causes						
60% to good causes Lottery pot	£35,724	£53,586	£71,448	£89,310	£107,172	
<b>Sub total</b>	<b>£35,724</b>	<b>£53,586</b>	<b>£71,448</b>	<b>£89,310</b>	<b>£107,172</b>	
<b>Income less all expenditure</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	

## **Future developments and marketing**

The lottery has been developed to be flexible in form in order to offer 'bolt on' activities to the main lottery to raise player and good cause interest.

An example of this may be the run up period to the first draw, when players signing up to the lottery may be also entered into an additional prize draw to win an item prize e.g. an iPad. This is to assist with the overall launch and marketing of the lottery.

Other marketing activity (which may incur additional costs) may include:

- Periodic email sign off attachments to all council emails.
- Advertising on the side of council vehicles.
- Social Media channels and potential social media advertising.
- General promotion of prize winners and good cause benefactors.

South Hams and West Devon Council will produce a Lottery marketing plan, both for launch and ongoing activities.

## **Problem Gambling**

One of the concerns raised as part of implementation of the AVDC and other councils' lottery schemes is that of encouraging people to gamble. It is considered that the form of the South Hams and West Devon Lottery is not particularly attractive to those with a gambling addiction as it:

- it is being marketed always with the promotion of good causes as its focus
- it is delivered remotely, non-cash based, and takes effort to subscribe to
- there is no instant gratification element
- it provides the ability for players to self-exclude, and have the ability to place blocks or caps on players

To help offset any concerns the council will make a contribution to national gambling support groups via a one-off contribution to the Gambling Commission. This is done through the annual membership to the Lotteries Council.

Whilst marketing will be directed widely, the experience of AVDC is that most of the players come from Acorn demographic groups B (Executive Wealth) and C (Mature Money), which those in more vulnerable groups partaking in much lower numbers.

## **Delivery Timeline**

The South Hams and West Devon Lottery is predicated on delivery in late spring/early summer 2018 subject to a successful licensing application.

VCS 'on boarding' would be scheduled to start in the new year, with player 'on boarding' commencing a month ahead of the first draw.

All of the above is subject to Gambling Commission licensing process; at the time of preparation of this business case the lead in time for a new license to be approved is 16 weeks.

## **Appendix A1 - Criteria for joining the South Hams and West Devon Lottery:**

The licence under the Gambling Act 2005 will need to set out eligibility criteria for those groups wanting to take part.

### **An organisation must:**

- Provide community activities or services within the District & Borough Council boundaries.
- Have a formal constitution or set of rules.
- Have a bank account requiring at least 2 unrelated signatories.
- Operate with no undue restrictions on membership.
- Have a detailed plan as to how the lottery will be promoted.

### **And be either:**

- A constituted group with a volunteer management committee, with a minimum of three unrelated members, that meets on a regular basis (at least 3 times per year).
- A registered charity (if so, the charity must provide details of charitable status including registered number where appropriate), with a board of trustees

### **Or :**

- A registered Community Interest Company, (if so, they must provide copies of their Community Interest Statement, details of the Asset Lock included in their Memorandum and Articles of Association, and a copy of their latest annual community interest report).

### **The following groups are not eligible:**

- Organisations that do not do work within the boundaries of South Hams and West Devon Council.
- Individuals.
- Organisations which aim to distribute a profit to shareholders and/or investors.
- Organisations with no established management committee/board of trustees (unless a CIC).

All applications will be reviewed on their own merits. The Council reserves the right to accept or reject any application for any reason.

The Council reserves the right to remove any organisation from participating in the lottery with a minimum of 7 days' notice for any reason.

If fraudulent or illegal activity is suspected, this removal will be immediate.

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**Appendix B: Partnership Register 2017-18 - Summary of Financial Commitments Per Annum**

Theme	Organisation	Description	WDBC	SHDC	Contractual Position
Communities	CVS	Support and assistance to community and voluntary organisations.	£ 8,500	£ 42,616	
Communities	CAB	Provision of advice and support to individuals	£ 32,900	£ 41,867	
Communities	Ivybridge Ring & Ride	Community Transport Provision		£ 2,710	
Communities	Totnes & Dartmouth Ring & Ride	Community Transport Provision		£ 10,315	Ceased operation
Communities	Tavistock & District Local Transport Partnership	Community Transport Provision	£ 10,315		
Economy	LEAF	Invests in economic, environmental and community projects to encourage innovation and promote prosperity of the area of Greater Dartmoor.	£ 8,200	£ 8,200	Committed to 2021
Economy	LAG	Invests in economic, environmental and community projects to encourage innovation and promote prosperity of the area between Plymouth and Exeter.	£ 8,200	£ 8,200	Committed to 2021
Economy	BIP (business support)	Providing business advice for new businesses contracted to 4/18	£ 15,100	£ 8,000	Committed to 2018; however growth fund is part of this and is committed to 2020 (£1k WD pa, £2k SH pa)
Economy	LEP	Supporting the growth of the local and rural economy at a strategic level	£ 5,000	£ 5,000	
Environment	Local Resilience Forum	South Devon group formed to be able to plan and respond to civil emergencies		£ 800	
Environment	South Devon AONB	To conserve and enhance the natural beauty of the landscape, with two secondary aims: meeting the need for quiet enjoyment of the countryside and having regard for the interest of those who live there		£ 32,900	
Environment	Tamar Valley AONB	To conserve and enhance the natural beauty of the landscape, with two secondary aims: meeting the need for quiet enjoyment of the countryside and having regard for the interests of those who live and work there.	£ 9,400		
Environment	South Devon Estuaries AONB			£ 10,200	
Environment	Wembury Marine Centre			£ 6,525	Committed long term
Environment	Tamar Estuaries Consultative Forum	The estuary management partnership that brings together stakeholders to promote the delivery of integrated management for the Tamar estuaries and nearby coastal areas in order to ensure long term sustainability.	£ 7,270		
Environment	South Devon Green Infrastructure Partnership	The purpose is to secure delivery of high quality multi-functional green infrastructure and strengthen the green infrastructure network across the South Devon project area.		£ 6,500	
Environment	Slapton Nature Reserve Partnership			£ 13,595	
Heritage	World Heritage Site	To protect one of England's 10 areas in the Historic England Group - project run by Cornwall County Council	£ 4,000		
Heritage	Tavistock Townscape Heritage Initiative	A significant partnership built into the Heritage Lottery Fund / contracted	£ 10,000		Committed to 2019
Homes	Devon and Cornwall Housing Options Partnership	Housing advice and homelessness in Devon, linked to the Strategic Group	£ 6,000	£ 6,000	
Wellbeing	Villages In Action	Supporting the Arts in WD	£ 4,000		Committed for 2017/18
Wellbeing	SW Museums	Wupporting Museums in SH & WD	£ 2,000	£ 5,000	Committed until 2019
Wellbeing	Young Devon (West Devon)	Provides supported housing advice and counselling for young people in West Devon	£ 7,500		
Wellbeing	Devon Youth Games	Annual youth participation event held countywide.	£ 3,000	£ 3,000	
Wellbeing	OCRA	OCRA deliver outreach work across West Devon including Devon Youth Games and Active Villages	£ 2,000		
Infrastructure	Devon and Cornwall Rail Partnership	Promotion for the Tamar Valley Line	£ 2,500		
<b>TOTAL</b>			<b>£ 145,885</b>	<b>£ 211,428</b>	<b>£ 357,313</b>
Total Committed / Contracted			£ 47,500	£ 29,400	£ 76,900
<b>TOTAL Excluding Committed / Contracted</b>			<b>£ 98,385</b>	<b>£ 182,028</b>	<b>£ 280,413</b>
Communities			£ 51,715	£ 97,508	
Environment			£ 16,670	£ 70,520	
Economy			£ 36,500	£ 29,400	
Heritage			£ 14,000	£ -	
Homes			£ 6,000	£ 6,000	
Wellbeing			£ 18,500	£ 8,000	
Infrastructure			£ 2,500	£ -	
			<b>£ 145,885</b>	<b>£ 211,428</b>	

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## **NOT FOR PUBLICATION**

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

Report to: **Hub Committee**

Date: **31<sup>st</sup> October 2017**

Title: **Medium Term Financial Position 2018/19 onwards**

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

Wards Affected: **All**

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

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

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

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### **Recommendations:**

It is recommended that the Hub Committee:-

- (i) Considers the contents of the Member survey on the Budget Options attached in Appendix D
- (ii) Makes recommendations for officers for further work in order to set the Budget for 2018-19.

### **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.

- 1.2 The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010.
- 1.3 Between 2009/10 and 2019/20, the Council's Core Government funding has reduced by £3 million.
- 1.4 West Devon has continued to work in partnership with South Hams District Council which has allowed West Devon Borough Council to achieve annual savings of £2.2 million and more importantly protect all statutory front line services.
- 1.5 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.
- 1.6 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.
- 1.7 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.

**2. OVERALL POSITION – BUDGET GAP**

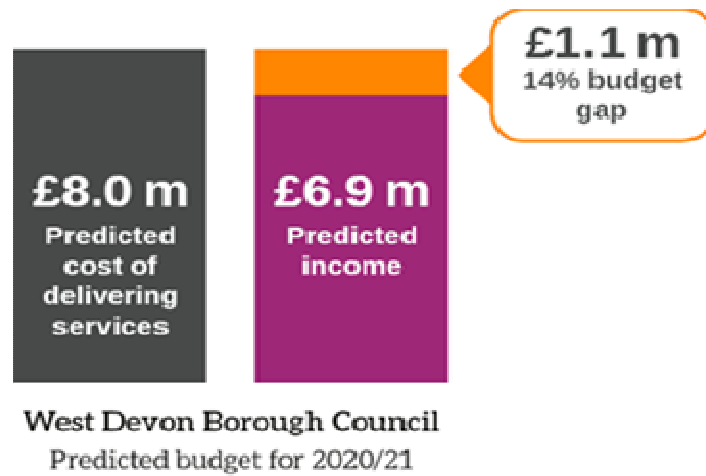
2.1 Appendix B illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £7.4 million in 2017/18. A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by £5 (shown in Appendix B).

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

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cumulative budget gap	701,360	1,009,001	1,093,743	1,166,987	1,007,980

This financial position (and Appendix A and Appendix B) is the same financial position that was set out in the report to the Hub Committee on 18<sup>th</sup> July 2017 in the report entitled 'Medium Term Financial Position 2018/19 to 2022/23'.

- 2.3 West Devon Borough Council is currently forecasting a £1.1m budget gap (14%) by 2020/21 as shown below:



- 2.4 The cost pressures, savings and additional income already identified for 2018/19 are shown in Appendix A. It is to be noted that this is the best estimate of the financial position at the current time and new items could arise and the report will be updated.

- 2.5 For example the current financial modelling budgets for an increase in the pay award of 1%. However if that figure were to increase, it would increase the cost pressures by £40,000 for each 1% above the 1% already budgeted for.

### 3 MEMBERS' BUDGET WORKSHOP

- 3.1 A Members' Budget Workshop was held on 10<sup>th</sup> October and the results of the Member survey are shown in Exempt Appendix D.

- 3.2 Members considered budget options that fell into the following categories such as:-
- i) further income generation
  - ii) external contracts
  - iii) Reductions in service levels
  - iv) financing options

### 3.3 **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 £1.1 million and the minimum level of Unearmarked Reserves to be held is recommended to be £0.75 million.

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

### 3.4 **New Homes Bonus funding**

There is a further option to use an extra £150,000 more NHB in 2018/19 and future years to fund the Revenue Base Budget. The expected levels of NHB received will be in the region of £0.7 million (in 18/19). The Medium Term Financial Position currently assumes using £0.5 million for the Revenue Budget in 2018/19. However if more NHB is used in 18/19 Budget onwards, this would mean not putting any money into the affordable housing capital projects (so for example, not putting £100,000 into affordable housing for capital contributions each year).

## 4 **BUDGET TIMETABLE**

4.1 The Budget Timetable is shown in Appendix E.

## 5. **IMPLICATIONS**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Hub Committee is responsible for recommending to Council the budgetary framework. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>

		<p>Since there is commercially sensitive information in Appendix D and discussions are at an early stage, there are grounds for the publication of this Appendix to be restricted, and considered in exempt session.</p> <p>The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in Appendix D.</p> <p>Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial	Y	The financial implications are set out in Sections 2 and 3 of the report.
Risk	Y	Each of the budget options taken forward by Members will consider the risks of the option.
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 – Summary of the Budget position

Appendix C – Schedule of Reserves (Unearmarked and Earmarked)

Appendix D (Exempt) – Results of the Member Survey

Appendix E – Budget Timetable

Approval and clearance of report

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

## WEST DEVON BOROUGH COUNCIL

	BASE 2017/18 £	Yr1 2018/19 £	Yr2 2019/20 £	Yr3 2020/21 £	Yr4 2021/22 £	Yr5 2022/23 £
<b>BUDGET PRESSURES</b>						
Waste collection, recycling and cleansing contract (estimate)	510,000	190,000	70,000	70,000	70,000	70,000
Inflation on the street cleaning and public conveniences	30,000	10,000	10,000	10,000	10,000	10,000
Reduction in planning income	125,000	0	0	0	0	0
Triennial Pension revaluation	80,000	25,000	0	75,000	0	0
Inflation on goods and services	70,000	70,000	70,000	70,000	70,000	70,000
Increase in salaries - increments and pay and grading	40,000	40,000	40,000	40,000	40,000	40,000
Increase in salaries - pay increase at 1%	40,000	40,000	40,000	40,000	40,000	40,000
Reduction in Recycling credits	40,000	0	0	0	0	0
Planning Community of Practice - staffing resource	30,000	0	0	0	0	0
ICT support contracts - increase the budget to align to actual expenditure	0	30,000	0	0	0	0
Reduction in Housing Benefit administration subsidy	30,000	20,000	20,000	10,000	10,000	10,000
National Insurance and National Living Wage	20,000	20,000	20,000	20,000	20,000	20,000
Revenue implication of the waste capital bid in 2017/18 capital programme	0	13,000	0	0	0	0
Finance Community of Practice - staffing resource	15,000	0	0	0	0	0
Business Information Point (increase from £8,340 to £15,100) - Economy Working Group recommendations	6,760	0	0	0	0	0
Reinvest saving of £2,811 in Town Benchmarking reports and £1,000 to Youth Markets (Economy WG recommendations)	3,811	0	0	0	0	0
<i>The following are all one-off cost pressures in 2016/17 and are not required in 2017/18 and are therefore reversed out in 2017/18</i>						
Trading company - specialist advice - One off	(150,000)	0	0	0	0	0
Specialist resource - Waste and Cleansing options review and delivery -one off	(80,000)	0	0	0	0	0
Our Plan	(75,000)	0	0	0	0	0
<b>TOTAL IDENTIFIED BUDGET PRESSURES</b>	<b>735,571</b>	<b>458,000</b>	<b>270,000</b>	<b>335,000</b>	<b>260,000</b>	<b>260,000</b>

## WEST DEVON BOROUGH COUNCIL

	BASE 2017/18 £	Yr1 2018/19 £	Yr2 2019/20 £	Yr3 2020/21 £	Yr4 2021/22 £	Yr5 2022/23 £
<b>Contribution to Earmarked Reserves</b> <b>(This line shows the annual contributions into the Reserve)</b>						
Contribution to IT Development Reserve (£25K per annum)	25,000	25,000	25,000	25,000	25,000	25,000
Contribution to Planning Reserve (£25K per annum)	25,000	25,000	25,000	25,000	25,000	25,000

BUDGET PRESSURES AND SAVINGS

APPENDIX A

Transformation Project (T18) - Approved at 9th December 2014 Council  
(One-off investment costs)  
Contribution to Strategic Change Reserve to meet redundancy and pension costs -  
Contributions reduce to zero in 2020/21

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

**Total Contribution to Earmarked Reserves**

160,000	60,000	35,000	0	0	0
67,000	0	0	0	0	0
<b>277,000</b>	<b>110,000</b>	<b>85,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

**SAVINGS AND INCOME GENERATION IDENTIFIED**

Re-procurement of contracts  
Budget Scouring exercise (£45,000 reduction in the contribution to the repairs and maintenance earmarked reserve for car parking maintenance, £25,000 saving on purchase of equipment and £5,000 on staff travel)  
Opt-in charged garden waste service  
Housing Benefit recoveries of overpayments (increase income target to reflect actual income being achieved)  
Planning Fees (increase income target to reflect actual income being achieved)  
Additional car parking income (increase income target to reflect actual income being achieved)  
Business Rates pooling gain  
Villages in Action (£8,000 to £4,000), SW Museum (£2,000 to £1,000) and cease Economy Grants (£5,571) - Economy Working Group recommendations  
Council Tax Reduction Scheme - 8.6% reduction in Town and Parish Grant  
Reduced running costs at Kilworthy Park and additional leasing income  
Income generation from alternative investment vehicles (e.g. property investment fund)

**TOTAL SAVINGS AND INCOME GENERATION**

BASE 2017/18 £	Yr1 2018/19 £	Yr2 2019/20 £	Yr3 2020/21 £	Yr4 2021/22 £	Yr5 2022/23 £
346,000	0	50,000	135,000	130,000	260,000
75,000	0	0	0	0	0
67,500	122,500	0	0	0	0
0	80,000	0	0	0	0
	60,000				0
0	40,000	0	0	0	0
30,000	0	0	0	0	0
10,571	0	0	0	0	0
6,600	6,100	5,500	0	0	0
5,000	0	0	0	0	0
25,000	0	0	0	0	0
<b>565,671</b>	<b>308,600</b>	<b>55,500</b>	<b>135,000</b>	<b>130,000</b>	<b>260,000</b>



Line	<b>Council Tax is increased by £5 annually</b>	<b>BASE</b>	<b>Yr1</b>	<b>Yr2</b>	<b>Yr3</b>	<b>Yr4</b>	<b>Yr5</b>
No.	Modelling for the financial years 2018/19 onwards	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		£	£	£	£	£	£
1	Base budget brought forward	7,253,325	7,423,224	6,871,263	6,778,124	6,893,382	6,950,138
2	Budget pressures (as per Appendix A)	735,571	458,000	270,000	335,000	260,000	260,000
3	Savings already identified (as per Appendix A)	(565,671)	(308,600)	(55,500)	(135,000)	(130,000)	(260,000)
4							
5	<b>Projected Net Expenditure:</b>	<b>7,423,225</b>	<b>7,572,624</b>	<b>7,085,763</b>	<b>6,978,124</b>	<b>7,023,382</b>	<b>6,950,138</b>
	<b>Funded By:-</b>						
6	<b>Council Tax income</b> - Modelling a £5 increase in council tax each year (Taxbase 16/17 = 19,733.41 Band D Equivalent properties)	4,356,612	4,506,618	4,658,875	4,813,382	4,970,138	5,129,145
7	Collection Fund Surplus	178,000	100,000	80,000	80,000	80,000	80,000
8	Revenue Support Grant	223,284	0	0	0	0	0
9	Localised Business Rates	1,539,000	1,588,000	1,351,611	1,350,000	1,350,000	1,350,000
10	Funding from Rural Services Delivery Grant	372,638	286,645	372,638	300,000	300,000	300,000
11	Funding from New Homes Bonus	860,000	500,000	400,000	400,000	300,000	300,000
12	Funding from Transition Grant	30,689	0	0	0	0	0
13	Less: Contribution to Earmarked Reserves	-277,000	-110,000	-85,000	-50,000	-50,000	-50,000
14	Less: Contribution from Budget Surplus Contingency Earmarked Reserve	140,002					
15	<b>Total Projected Funding Sources</b>	<b>7,423,225</b>	<b>6,871,263</b>	<b>6,778,124</b>	<b>6,893,382</b>	<b>6,950,138</b>	<b>7,109,145</b>
	<b>Budget gap/(surplus) per year</b>						
16	(Projected Expenditure line 5 - Projected Funding line 15)	<b>0</b>	<b>701,360</b>	<b>307,640</b>	<b>84,742</b>	<b>73,243</b>	<b>-159,007</b>

<b>Actual Predicted Cumulative Budget Gap</b>	<b>0</b>	<b>701,360</b>	<b>1,009,001</b>	<b>1,093,743</b>	<b>1,166,987</b>	<b>1,007,980</b>
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<b>Modelling Assumptions: (Assumes an increase in Band D Equivalent properties of 225 per annum)</b>						
Council Tax (Band D) (an increase of £5 per annum has been modelled)	218.39	223.39	228.39	233.39	238.39	243.39
Council TaxBase	19,948.77	20,173.77	20,398.77	20,623.77	20,848.77	21,073.77

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## EARMARKED AND UNEARMARKED RESERVES

1.1 The Council's Net Budget is £7.4 million in 2017/18. It is still recommended to retain the same policy of maintaining a minimum level of Unearmarked Reserves of £750,000.

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 £750,000, the following have been taken into account:

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

1.3 The Unearmarked Reserves (General Fund) balance of £1.1 million stands above the minimum balance of £750,000 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 £3.7 million.

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.

<b>EARMARKED RESERVES</b>	<b>Balance at</b>	<b>Transfers</b>	<b>Transfers</b>	<b>Balance at</b>
<b>2016/17</b>	<b>31 March</b>	<b>Out</b>	<b>In</b>	<b>31 March</b>
	<b>2016</b>			<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>				
Car Parking Maintenance	408		32	440
ICT Development	0	(18)	42	24
JSG Future Options	0	-	46	46
Planning Policy & Major Developments	0	-	39	39
16/17 Budget Surplus Contingency	0	-	669	669
Innovation Fund (Invest to Earn)	0	(16)	922	906
Outdoor Sports & Recreation	0	-	7	7
Waste & Cleansing Options Review	0	-	80	80
Community Housing Fund	0	-	248	248
Leisure Services	0	(99)	273	174
LA Business Growth	25	(25)	-	-
Habitats Reserve	15	(2)	-	13
Landscape Maintenance	5	-	-	5
Invest to Save	27	-	-	27
Elections	24	-	-	24
DCC Localism Support Officer	4	-	-	4
REIP – Localism Projects	1	-	-	1
DCC TAP Funds	63	(63)	-	-
New Burdens CLG	3	-	-	3
CLG – Assets Community Value	8	-	-	8
Neighbourhood Planning Grants	65	(7)	-	58
World Heritage Key Site	5	-	-	5

<b>EARMARKED RESERVES</b>	<b>Balance at</b>	<b>Transfers</b>	<b>Transfers</b>	<b>Balance at</b>
<b>2016/17</b>	<b>31 March</b>	<b>Out</b>	<b>In</b>	<b>31 March</b>
	<b>2016</b>			<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cannons Meadow	19	(3)	-	16
Millwood Homes	15	-	-	15
Young Persons Prevention Officer	10	(10)	-	-
DCLG Business Support Scheme	13	(13)	-	-
Inspire Annex 111	7	(7)	-	-
DCC Public Health	25	(19)	-	6
Revenue Grants	-	-	59	59
Business Rates Retention Scheme	844	(626)	-	218
Town Teams & Economic Grants	17	-	6	23
Flood Works	20	(2)	-	18
New Homes Bonus	697	(2,288)	1,818	227
Homelessness	30	-	-	30
Strategic Change (T18)	-	(81)	192	111
Planning Enforcement	45	(40)	-	5
Maintenance Fund (Estates)	-	(17)	240	223
<b>TOTAL EARMARKED</b>	<b>2,395</b>	<b>(3,336)</b>	<b>4,673</b>	<b>3,732</b>
<b>REVENUE RESERVES</b>				

**Car Parking Maintenance** - In line with the Council's car parking strategy, a car parking maintenance reserve is maintained to ensure that major planned works on car parks can be carried out at the appropriate time, in line with a cyclical programme of maintenance and repairs.

**16/17 Budget Surplus Contingency** – This reserve was created as part of the 2016/17 Budget setting process. There is an uncommitted balance remaining of £221,000.

**Innovation Fund (Invest to Earn)** – This fund has a remaining balance of £906,000. Of this, £500,000 has been deposited with CCLA in their Local Authority Property Fund. This is a long term investment and on average is expected to generate yields of c.5%. The remainder of this fund will be used to acquire and develop land within West Devon to support local housing need (Hub Committee 12/9/17).

**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.

**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.

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## APPENDIX E

### West Devon Borough Council - Budget Timetable for 2018/19 onwards

Date	Committee
10 <sup>th</sup> October 2017	Members' Budget Workshop – To consider budget options
31 <sup>st</sup> October 2017	Hub Committee – To consider the results of the Members' Budget Workshop
28 <sup>th</sup> November 17	Hub Committee – Draft Budget Proposals for 2018/19
5 <sup>th</sup> December 17	Council - Update on any announcements within the Autumn Statement that affect the Council's Budget or services
12 <sup>th</sup> December 17	Development Management and Licensing Committee – To consider fee and charges within the remit of the Committee.
16th January 2018	Overview & Scrutiny Committee – To comment on the Draft Budget Proposals for 2018/19
6 <sup>th</sup> February 2018	Hub Committee – To recommend Final Budget Proposals to Council for 2018/19
<b>15th February 18</b>	<b>Date which Council Procedure Rule 16 applies</b>
20th February 18	Full Council – To approve Final Budget Proposals for 2018/19 and set the WDBC share of the Council Tax
21 February 18	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2018/19 (This is WDBC share plus all other precepting authorities share).

**Note 1-** Council Procedure Rule 16 states that 'Where a member intends to move a motion or amendment in relation to the Budget, the text of that motion or amendment must be put in writing and submitted to the Head of Paid Service by 9am on the third working day before the meeting, in order that officers may have sufficient time to consider and advise the Council of the financial implications of any such motion or amendment'. As per the timetable above, this would need to be submitted by 9am on Thursday 15th February 18.

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# Agenda Item 7

Report to: **Hub Committee**

Date:

Title: **Write Off Report**

Portfolio Area: **Support Services**

Wards Affected: **All**

Relevant Scrutiny Committee: Internal O&S

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

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

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

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## **Recommendations:**

The Committee notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual West Devon Borough Council debts totalling £114,989.98 as detailed in Tables 1 and 2.

The Committee approves the write off of individual debts in excess of £5,000 totalling £5,898.04, as detailed in Table 3.

## **1. Executive summary**

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

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

This report covers the period 1<sup>st</sup> July 2017 to 30<sup>th</sup> September 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.

West Devon Borough Council's collection rates for 2016/17 were; Council Tax 97.3% & Business Rates 97.7%.

In the first two quarters of 2017/18 the Council has collected £21.14 million in Council Tax and £6.58 million in Business Rates. The total collectable debt for 2017/18 (as at 30<sup>th</sup> September) for Council Tax is £37.25 million and for Business Rates is £10.66 million.

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

The Housing Benefit write offs for Quarter 2 are significantly higher than normal due to a data cleansing exercise recently carried out.

The decision was made to write off any debt that hadn't been pursued in the last 6 years as uncollectable debt, also debt less than £20 was written off as uneconomical to chase.

The cost to the Council of the housing benefits write offs of £66K (Uncollectable Old Debt) is approximately £30K, due to the remainder being claimed in housing benefit subsidy.

## **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 £2,152,102.79. 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.



		Any individual debt exceeding £5,000 is referred to members for consideration prior to write-off which accords with Financial regulations.
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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**

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



**TABLE 1 SUMMARY OF WEST DEVON BOROUGH COUNCIL DEBT UNDER £5,000 WRITTEN OFF BY S151 OFFICER**

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
			Quarter 2	Cumulative Total		Equivalent Quarter 2016/17		Grand Total 2016/17	
			Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
<b>HOUSING BENEFIT</b>	23	Overpaid Entitlement	10,310.78	51	19,066.62	-	-	55	24,956.71
<b>COUNCIL TAX BENEFIT</b>	5	Bankruptcy/DRO/IVA/CVA etc	3,503.47	8	4,476.82	-	-	3	1,392.42
	3	Deceased	5,199.15	3	5,199.15	-	-	1	923.45
	-	Other	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	1	172.00
	15	Not Cost Effective to Pursue	145.22	18	174.79	-	-	19	821.33
	102	Uncollectable Old Debt	66,285.62	106	66,557.58	-	-	1	75.81
Total	148		85,444.24	186	95,474.96	-	-	80	28,341.72
<b>COUNCIL TAX</b>	12	Absconded	10,333.14	16	18,846.01	4	4,987.80	54	37,523.84
	9	Bankruptcy/DRO/IVA/CVA etc	10,454.84	14	13,964.63	-	-	33	32,604.84
	-	Deceased	-	-	-	2	1,650.31	8	8,941.58
	3	Other	2,573.06	5	2,825.18	3	693.06	12	6,423.34
	-	Small Balance	-	-	-	-	-	2	5.22
	-	Uncollectable Old Debt	-	-	-	-	-	-	-
	-	Administration	-	-	-	-	-	-	-
Total	24		23,361.04	35	35,635.82	9	7,331.17	109	85,498.82
<b>SUNDRY DEBTS</b>	-	Small Balance	-	-	-	-	-	1	0.01
	-	Bankrupt/DRO/IVA/CVA etc	-	-	-	-	-	-	-
	-	Not Cost Effective to Pursue	-	-	-	-	-	-	-
	-	Uncollectable Old Debt	-	-	-	-	-	41	15,855.00
	-	Absconded	-	-	-	-	-	-	-
	-	Other	-	-	-	1	40.00	1	40.00
Total	-		-	-	-	1	40.00	43	15,895.01
<b>Grand Total</b>	<b>172</b>		<b>108,805.28</b>	<b>221</b>	<b>131,110.78</b>	<b>10</b>	<b>7,371.17</b>	<b>191</b>	<b>129,735.55</b>

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

Year	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	Pre 2008/09	Total
<b>Value</b>		1,741.96	60.36	179.25	1,371.15	890.63	1,521.90	566.60	255.28	1,958.29	1,787.72	10,333.14
<b>Number</b>		2	1	1	2	4	4	1	1	3	1	20



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

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
			Quarter 2		Cumulative Total	Equivalent Quarter 2016/17		Grand Total 2016/17	
			Amount (£)	Cases		Amount	Cases	Amount	Cases
<b>NON-DOMESTIC RATE</b>		Bankruptcy/DRO/IVA/CVA etc		-	-	1	3,081.04	3	5,804.15
		Absconded		2	1,121.21	-	-	1	304.44
		Deceased		-	-	-	-	-	-
	1	Liquidation	3,931.13	1	3,931.13	-	-	-	-
	1	Other	2,253.57	1	2,253.57	1	3,650.61	2	4,407.15
		Small Balance		-	-	-	-	1	2.00
		Uncollectable Old Debt		-	-	-	-	-	-
	Administrative Receivership		-	-	-	-	-	-	
<b>Total</b>	<b>2</b>		<b>6,184.70</b>	<b>4</b>	<b>7,305.91</b>	<b>2</b>	<b>6,731.65</b>	<b>7</b>	<b>10,517.74</b>

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

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2017/18			Totals for Comparison purposes			
			Quarter 2		Cumulative Total	Equivalent Quarter 2016/17		Grand Total 2016/17	
			Amount (£)	Cases		Amount	Cases	Amount	Cases
<b>NON-DOMESTIC RATE</b>	-	Liquidation	-	-	-	1	6,124.02	3	29,217.16
	-	Administrative Receivership	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy/DRO/IVA/CVA etc	-	-	-	1	10,676.01	-	-
	-	Deceased	-	-	-	-	-	-	-
	-	Other	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>16,800.03</b>	<b>3</b>	<b>29,217.16</b>
<b>HOUSING BENEFIT</b>	1	Bankruptcy/DRO/IVA/CVA etc	5,898.04	1	5,898.04	-	-	1	5,898.04
	-	Overpaid Entitlement	-	-	-	-	-	-	-
	-	Deceased	-	-	-	-	-	1	9,787.06
<b>Total</b>	<b>1</b>		<b>5,898.04</b>	<b>1</b>	<b>5,898.04</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>15,685.10</b>
<b>COUNCIL TAX</b>	-	Bankruptcy/DRO/IVA etc.	-	-	-	-	-	-	-
	-	Absconded	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1</b>		<b>5,898.04</b>	<b>1</b>	<b>5,898.04</b>	<b>2</b>	<b>16,800.03</b>	<b>5</b>	<b>44,902.26</b>

**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
Seignnbridge	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
<b>West Devon</b>	<b>35,504</b>	<b>34,529</b>	<b>97.3</b>	<b>11,328</b>	<b>11,068</b>	<b>97.7</b>

\* 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 <sup>st</sup> April – 30 <sup>th</sup> June	10,425	3,742
Quarter 2 - Receipts collected between 1 <sup>st</sup> July – 30 <sup>th</sup> September	9,832	2,829
Quarter 3 - Receipts collected between 1 <sup>st</sup> October – 1 <sup>st</sup> December	9,902	2,450
Quarter 4 - Receipts collected between 1 <sup>st</sup> January – 31 <sup>st</sup> March	4,762	1,338

\* 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	28,341.72	37,800.00	77,477.87	48,315.96	47,636.80	21,103.31
HOUSING BENEFIT	£5,000 or over cases	15,685.10	15,685.10	25,488.58	0.00	0.00	0.00
Total		44,026.82	53,485.10	102,966.45	48,315.96	47,636.80	21,103.31
COUNCIL TAX	Under £5,000 cases	85,498.82	60,159.32	67,271.83	33,385.96	199,475.48	133,748.27
COUNCIL TAX	£5,000 or over cases	-	0.00	5,265.60	15,940.10	25,924.46	5,658.27
Total		85,498.82	60,159.32	72,537.43	49,326.06	225,399.94	139,406.54
SUNDRY DEBTS	Under £5,000 cases	15,895.01	3,020.15	887.47	818.09	4,449.99	5,719.72
SUNDRY DEBTS	£5,000 or over cases	-	-	0.00	0.00	0.00	0.00
Total		15,895.01	3,020.15	887.47	818.09	4,449.99	5,719.72
NON DOMESTIC RATES	Under £5,000 cases	10,517.74	6,650.00	17,699.12	35,095.48	18,780.31	32,463.90
NON DOMESTIC RATES	£5,000 or over cases	29,217.16	29,217.16	89,506.07	38,882.41	26,680.71	55,949.62
Total		39,734.90	35,867.16	107,205.19	73,977.89	45,461.02	88,413.52
GRAND TOTAL		185,155.55	152,531.73	283,596.54	172,438.00	322,947.75	254,643.09

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# Agenda Item 8

Appendix A & B of this report contains exempt information contained in Paragraphs 3 and 5 of 12A of the Local Government Act 1972 (information relating to the financial and business affairs of the Council and a third party and also information to which legal professional privilege could be applied)

Report to: **Hub Committee**  
Date: **31<sup>st</sup> October 2017**  
Title: **Meadowlands Leisure Centre – Legal Decision**  
Portfolio Area: **Assets / Cllr Neil Jory**  
Wards Affected: **Tavistock / all**

Relevant Scrutiny Committee:

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

Date next steps can be taken: After full council

Author: **Chris Brook** Role: **Cop Lead Assets**

Contact: **Telephone/email: [Chris.brook@swdevon.gov.uk](mailto:Chris.brook@swdevon.gov.uk)**

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## **That the Hub Committee resolves:**

- 1) To continue to try and hold political discussions for the next 30 days and then;

## **To Recommend to Council that:**

- 2) Having considered the Report and Risks Comparison, to enter into the legal agreements as drafted (or as may be revised during further negotiations with TTC), recognising that in the event of a breach by WD and TTC enforcing the terms of the agreements, WD would have to give up possession of the land, and bear the cost of demolition of the Meadowlands Leisure Centre.

## **1. Executive summary**

- 1.1. Negotiations over the terms of the legal agreements between Tavistock Town Council (TTC) and West Devon Borough Council (WDBC) with respect to Meadowlands Pool have reached a stage where a decision needs to be made as to whether to enter into them or not.

- 1.2. TTC is the Landlord, WDBC the tenant with a 999 yr lease and Fusion the sub-tenant. The agreements are a licence to alter, licence to underlet and some associated side letters with additional terms.
- 1.3. A decision is needed now because, Fusion wish to proceed with the planned improvements to the centre in early December and these agreements are required to necessitate the works. Furthermore, it is felt that the lengthy legal negotiation with TTC has run its course.
- 1.4. If the Council decides to enter in to the agreements as they stand, it will face a greater risk of forfeiture than it did previously, and of the entire lease, rather than just the land associated with the leisure centre.
- 1.5. Subject to the TC's decision to enforce or not, forfeiture would result in the loss of the lease including the Wharf and car park, closure and demolition of the leisure centre and a significant cost incurred under contract with Fusion.
- 1.6. If it does not proceed with the agreements then the Council will suffer a claim under contract from Fusion which will be a substantial cost (reference Appendix B).

## 2. Background

- 2.1. The strategic leisure review, which culminated in the award of contract to Fusion to run West Devon Borough Council (WDBC) leisure facilities, commenced over 5 years ago.
- 2.2. The project had multiple strands, one of which was that of stakeholder engagement with local councillors, town councillors, user groups, sports clubs and the general public.
- 2.3. The fact that Meadowlands Leisure Centre is constructed on land leased by WDBC on a 999 year lease from Tavistock Town Council (TTC) has meant that they are a very significant stakeholder, as both landlord and democratic representation of Tavistock.
- 2.4. Minutes from a 2012 stakeholder meeting with TTC show that that both parties were fully in support of the leisure review and were both "*...committed to work together for the benefit of the town...*"
- 2.5. At this time, One Life were running Meadowlands Leisure Centre on behalf of WDBC as they had since 2004, under a contract supported by a sub lease. This situation was to be mirrored in the arrangements between WDBC and the new operator (Fusion).
- 2.6. The head lease between WDBC and TTC requires that TTC give written consent to any sub lease (such as the one that existed to One Life), although the author can find no record of that ever having been given.
- 2.7. In December 2016, Fusion were awarded the leisure contract, and work was then able to start on the lease arrangements for the six sites. It had to wait until then, because the terms of the lease had to be negotiated between all the relevant parties.
- 2.8. Of the six leases required to Fusion, four were a direct landlord / tenant relationship, and two were that of tenant / sub-tenant. In Okehampton and Tavistock WDBC is a tenant and Fusion a sub-tenant.

- 2.9. Since early 2017, WDBC and TTC have been undertaking a lengthy legal negotiation over the terms of the sub lease and other associated documents. The cost of both parties' solicitors has been paid for by WDBC, to date £19,000 to TTC's solicitors and a further £21,000 on WDBC solicitors.
- 2.10. WDBC officers have been unsuccessful in getting agreement from TTC to a set of legal documents that allows it to move forward carrying the same level of risk it did when One Life were in occupation.
- 2.11. WDBC members recently proposed a meeting of Cllrs from the respective parties to find a political solution, however TTC members were advised not to attend by their legal advisors. In the absence of any further options and a pressing need for Fusion to commence improvement works to the pool, it is felt that a decision must now be taken.
- 2.12. The author is not comfortable using delegated authority to take the decision to proceed, given the legal risks that now present themselves and would like to ask members to consider the options set out below.

### 3. Outcomes/outputs

- 3.1. The legal documents that are required to be agreed between the parties are as follows:

WDBC – TTC	Licence to sub let
	Licence to Alter
	Side letters with further terms*
WDBC – Fusion	Sub Lease

- 3.2. \*At the TTC's request, some of the terms that had been negotiated have been removed from the above documents and put into two side letters, dealing with pool closures in both planned and emergency situations.
- 3.3. A summary of the legal risks that WDBC now faces should it enter into the documents is as follows and set out in full in Appendix A:
- Provisions which had previously existed within the Tavistock Act are now brought into the agreements explicitly but with a different interpretation, *leading to:*
  - Increased chance of forfeiture.
  - Increased risk of forfeiture of whole head lease (including the wharf), instead of just the leisure centre land for relevant infringement.
  - Increased risks associated with the closure of the pool (resulting in forfeiture).
  - Any forfeiture event would result in a substantial claim under contract by Fusion.
  - Unpractical notice periods for closure, and unpractical total periods of time for closure (when considering the planned and unplanned maintenance requirements of a pool over 25 years).

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

- 4.1. The provision of leisure facilities in WD is a priority of this Council. Consequently, its members have the following Options:
- 4.2. Option 1. Accept the legal documents as they are drafted, to facilitate the planned investment in the leisure centre. Recognising that there is a high chance of breach of the terms, which could see the centre close prematurely and at great cost to WDBC should TTC enforce their position. Furthermore this event would put WDBC in breach of its DBOM contract with Fusion.
- 4.3. Option 2. It could not sign the legal documents, but in doing so would be breaching the Design Build Maintain and Operate (DBOM) contract with Fusion and would see the centre close.
- 4.4. Option 3. It could continue to try to negotiate with the TTC towards more reasonable terms, which carries time related risks.

##### **Option 1:**

- 4.5. This course of action is the only one that results in Meadowlands remaining open and therefore is at one level without doubt that which offers most public benefit and aligns with WDBC's members wishes to provide high quality health and wellbeing facilities.
- 4.6. Members should be in no doubt that the documents as drafted do represent a significant change to WDBC's position as a tenant of TTC. However, as with any technical legal risk, should it arise, it would require action from TTC for it take effect. As such, it is possible that in future TTC would not choose to enforce against WDBC, should a breach occur, but WDBC have no way of quantifying this risk.

##### **Option 2:**

- 4.7. To take this course of action would result in a breach of the DBOM and a compensation claim from Fusion. Furthermore as it would lead to the closure of the pool, WDBC would under the terms of the lease be required to demolish the pool and hand back the land to TTC.
- 4.8. The cost of the demolition may be £250 - £300k and the cost of the breach of DBOM contract would be significantly more. The loss of revenue from the centre would also equate to a further significant loss (reference Appendix B) over the next 25 years.
- 4.9. WDBC would not be supporting health and wellbeing in Tavistock.

##### **Option 3:**

- 4.10. It is theoretically possible for both TTC and WDBC to reach a position that is acceptable to both parties. To date, officers working with solicitors have been unable to achieve this and it is not felt that any more progress can be made at that level. If TTC change their position and agree to talks with WDBC Cllrs then it is more likely that a resolution could be reached.
- 4.11. Fusions investment and improvement programme has started and they wish to undertake works in December. Given the notice periods currently drafted (3 months), ongoing negotiations would have to be held on the basis that TTC recognise this date even if no progress is made.



4.12. The costs incurred to date are significant and WDBC are paying both sides legal fees. TTC have made it clear that they will not engage with us in anyway without an undertaking for their full costs and so a decision to undertake further negotiation must also consider that it would likely come at a price, so long as it can be shown to be reasonable on the part of TTC

**5. Proposed Way Forward**

- 5.1. That a final attempt to hold political talks with TTC be made in the next 30 days and;
- 5.2. That members accept the risks before them and recommend to enter into the legal documents as drafted.

**6. Implications**

Implications	Relevant to proposals Y	Completion of the outstanding legal documentation relating to Meadowlands.
Legal/Governance	Y	<p>Reference Section 3 and Appendix A.</p> <p>Appendix A &amp; B of the report is potentially exempt under paragraphs 3 of schedule 12A of the Local Government Act 1972 in that it concerns the financial or business affairs of the Council. The public interest has been assessed and it is considered that, at this stage, the public interest is better served by non-disclosure to the press and public.</p> <p>The legal risks arising out of a possible breach of contract have been highlighted in the main body of the report. A breach of contract is likely to result into a claim for compensation. Such a claim is likely to be significant whether the Council were to sign the agreements in their current format or not. The costs are however likely to be more substantial if a claim were to be made after the leases have been signed and breached.</p> <p>The reputational damage that may follow such claim is also significant.</p> <p>Delegated authority has been given to officer to finalise. Where the officer is unable to take decisions, the decision must be taken by the body that gave that delegated authority and in this case, that is the Full Council meeting.</p>
Financial		Reference Section 2

Risk		Reference Section 3 and 4
Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A
Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing	Y	A decision not to enter into the agreements would result in a pool closure.
Other implications		

### **Supporting Information**

#### **Appendices:**

Appendix A - Legal Risk Comparison Report

Appendix B – Finance and contract risks

#### **Approval and clearance of report**

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

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Report to: **Hub Committee**  
Date: **31 October 2017**  
Title: **Insurance Contract**  
Portfolio Area: **Cllr Edmonds- Support Services**

Wards Affected: **ALL**

Relevant Scrutiny Committee: Overview and Scrutiny Committee

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

Date next steps can be taken: After call in-8 Nov 2017

Author: **Neil Hawke** Role: **Support Services Specialist Manager**

Contact: **neil.hawke@swdevon.gov.uk 01803 861323**

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## **Recommendations:**

1. That Hub members note the progress of the procurement and;
2. That authority be delegated to the Section 151 Officer, in consultation with the Leader and Portfolio Holder Support Services to award the Insurance contract for a period of 3 years from 1<sup>st</sup> January 2018 with the option to extend up to 4 further years

## **1. Executive summary**

- 1.1 The Council's current Insurance contract expires on 31<sup>st</sup> December 2017 following a three month extension approved by Hub on 16 May 2017.
- 1.2 The Council have appointed Insurance specialists as consultants to support the procurement process and assist officers in evaluation of the tender responses.

- 1.3 An Invitation to tender has been published with Contract Award currently planned for late November 2017. As the next meeting of the Hub Committee is on 28 November 2017, authority is sought for the contract award decision to be taken by the Section 151 Officer in consultation with the Leader and Lead Member for Support Services.

## **2. Background**

- 2.1 At their meeting on 16 May 2017, the Hub Committee approved a three month extension to the Councils current insurance arrangements in order that a joint procurement could be explored with other Devon Councils (South Hams District Council, Mid Devon Council and Teignbridge District Council) South Hams District Council is the lead authority for this procurement. (Minute HC79 refers)
- 2.2 The Councils have jointly procured the services of an Insurance specialist to assist with the procurement and to provide specialist advice to officers in assessing the tender responses.
- 2.3 The Insurance Procurement will be undertaken through the Government Crown Commercial Services Insurance Framework which allows a quicker process as the providers on the framework have already been pre-selected for inclusion within the procurement process.

## **3. Outcomes/outputs**

3.1 The current annual spend on Insurance for the Council is approximately £110,000.

3.2 The Insurance procurement will include cover for the following categories of risk

- Property Damage, Business Interruption, Works in Progress, Money and Computers
- Employer's Liability and Public & Products Liability
- Libel & Slander, Professional Negligence and Officials Indemnity including Land Charges,
- Fidelity Guarantee
- Engineering Insurance & Inspections
- Motor Fleet
- Travel Including Personal Accident
- Terrorism



3.3 No decision has been made in respect of Insurance cover for terrorism related incidents however we will seek a price and consider if cover should be taken out based on price versus risk. We do not currently insure against this risk.

3.4 Submissions will be assessed by officers (with support from the Insurance specialist) to ascertain the most economically advantageous tender based on both Price (55%) and Quality (45%) evaluation criteria

3.5 The following evaluation criteria will be applied to the procurement for evaluation purposes

- Quality - Scope of cover 45%
  - Insurer policy wording and cover clauses 25%
  - Added value 8%
  - Claims handling 12%
- Price 55%

3.6 The Price score will be determined by an assessment of the detailed breakdown against the scope of work that the Councils may expect to receive. The aim is to consider value for money and to determine the most economically advantageous outcome for the Council within the allocated budgets.

3.7 The Quality score will be assessed against the bidder's response to a number of Method Statements. These are questions which offer bidders the opportunity to set out the services and service levels that would be delivered through the contract.

3.8 The tender submissions must be based on a minimum contract term of 3 years with the option for the Council to extend by a further period of up to 4 years.

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

4.1 The Council must have insurance in place and therefore options are limited. Given the values which exceed the EU procurement threshold, a procurement must be undertaken.

4.2 The new Contract must be in place by 1<sup>st</sup> January 2018. In order to ensure sufficient time for post award due diligence, contract award must be made by the end of November 2017. Approval is therefore sought for approval for contract award to be delegated to the Section 151 Officer in consultation with the Leader and Lead Member for Support Services of West Devon Borough Council.

4.3 As with any procurement, there is the risk of a challenge from an unsuccessful bidder or other interested party. The Councils have taken Procurement and Legal advice in formulating the procurement to minimise the risk of this.

## 5. Proposed Way Forward

5.1 The Officer group continue with the procurement process with an aim of completing evaluation of tender responses in November 2017.

5.2 The contract award be delegated to the Councils Section 151 Officer in consultation with the Leader and Lead Member for Support Services.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The requirements of the Council's Contract Procedure Rules are set out in Section 3 of the report.
Financial		The current spend on Insurance for the Council is approximately £110,000 per annum. Until tender responses are received, the full financial impact cannot be assessed.
Risk		<p>Maintenance of an adequate insurance policy is a method of controlling risk through risk transfer to another party, as set out in the Council's risk management strategy.</p> <p>There is a risk that the procurement decision could be challenged by an unsuccessful bidder or other interested party however the procurement is being undertaken through a Crown Commercial Service Framework and in line with procurement regulations and the Councils own Contract Procedure rules in order to minimise the risk.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A
Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		N/A
Other implications		N/A

**Supporting Information**

Appendices and Background Papers:  
None

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

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