

South Hams Executive



Title:	Agenda
Date:	Thursday, 10th December, 2015
Time:	10.00 am
Venue:	Cary Room - Follaton House
Full Members:	<p style="text-align: center;">Chairman Cllr Tucker</p> <p style="text-align: center;">Vice Chairman Cllr Ward</p> <p><i>Members:</i> Cllr Bastone Cllr Hicks Cllr Gilbert Cllr Wright</p>
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Member.Services@swdevon.gov.uk

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 1. Minutes | 1 - 10 |
| to approve as a correct record and authorise the Chairman to sign the minutes of the meeting of the Executive held on 15 October 2015 | |
| 2. Members in Attendance | |
| the Chairman is advised of non Executive Members wishing to speak; | |
| 3. Urgent Business | |
| brought forward at the discretion of the Chairman; | |
| 4. Division of Agenda | |
| to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information; | |
| 5. 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; | |
| 6. Public Question Time | 11 - 12 |
| a period of up to 15 minutes is available to deal with questions submitted to the Council in accordance with the Executive Procedure Rules; | |
| 7. Revenue Budget Monitoring 2015/16 | 13 - 28 |
| to consider a report that sets out the latest position with the revenue budget | |
| 8. Draft Budget Proposals for 2016/17 | 29 - 68 |
| to consider a report that sets out the Budget Proposals for 2016-17 and the outcomes of the Members' Budget Workshop, prior to requesting the views of the Overview and Scrutiny Panel in January 2016 on the budget issues contained within the report | |
| 9. Capital Programme Proposals for 2016/17 to 2018/19 | 69 - 78 |
| to consider a report that seeks the views of Overview and Scrutiny Panel on the proposed Capital Programme | |

	Page No
10. Treasury Management Mid Year Review	79 - 90
to consider a report that sets out the mid year position in respect of the Treasury Management position	
11. T18 Budget Monitoring	91 - 102
to consider a report that notes the progress to date on the T18 Transformation Programme	
12. Write Off Report	103 - 112
to consider a report that updates Members on write offs for all revenue streams within the Revenue and Benefits service	
13. Affordable Housing - Alternative models	113 - 146
to consider a report that seeks authority to use specific delivery models for affordable housing	
14. Community Led Housing Initiative	147 - 154
to consider a report that seeks to change the Community Led Housing initiative from a loan to a grant scheme	
15. Reports of other bodies:	155 - 168
(a) Overview and Scrutiny Panel – 19 November 2015	

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**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD AT FOLLATON HOUSE ON THURSDAY, 15 OCTOBER 2015**

Members in attendance: * Denotes attendance			
*	Cllr H D Bastone	*	Cllr R J Tucker
*	Cllr R D Gilbert	*	Cllr L A H Ward
*	Cllr M J Hicks	*	Cllr S A E Wright

Also in attendance and participating		
Item 7	E.31/15	Cllrs Bramble, Brazil, Hodgson, Pearce, Pennington and Saltern
Item 9	E.33/15	Cllr Pearce
Item 10	E.34/15	Cllrs Brazil, Hodgson, Pennington and Saltern
Item 11	E.35/15	Cllrs Baldry, Brazil, Hodgson, Pearce and Pennington
Item 12	E.36/15	Cllrs Brazil, Hawkins and Hodgson
Item 13	E.37/15	Cllrs Baldry, Brazil, Cuthbert, Hodgson, Holway, Pearce and Saltern
Item 15	E.39/15	Cllr Hawkins
Item 16	E.40/15	Cllrs Hodgson, Holway and Saltern
Item 17	E.41/15	Cllr Pennington
Also in attendance and not participating		
Cllrs Barnes, Brown, Green, May, Smerdon, Steer and Vint		

Officers in attendance and participating		
All items		Executive Director Strategy & Commissioning (SJ), Executive Director Service Delivery and Commercial Development (SD&CD) (SH) and Senior Case Manager (KT)
Item 7	E.31/15	COP Lead Specialist Place and Strategy (RK)
Item 8	E.32/15	COP Lead Specialist Assets (CB)
Item 9	E.33/15	Group Manager Commercial Services (HD)
Item 10	E.34/15	COP Lead Specialist Housing, Revenues and Benefits (IB), Case Manager (AL)
Item 11	E.35/15	COP Lead Specialist Finance (S151 Officer) (LB)
Item 12	E.36/15	COP Lead Specialist Finance (S151 Officer) (LB), COP Lead Specialist Assets (CB)
Item 13, 14 and 15	E.37/15, E.38/15, E.39/15	Operational Manager (Environment Services) (CA)

E.26/15 MINUTES

The minutes of the meeting of the Executive held on 10 September 2015 were confirmed as a correct record and signed by the Chairman.

E.27/15 URGENT BUSINESS – NEIGHBOURHOOD PLAN PROCEDURES

The Leader advised that he had agreed that an urgent report could be considered at this meeting entitled Neighbourhood Plan Procedures. This item was considered urgent in light of the associated time constraints and this would be taken as the next agenda item (Minute E.28/15 below refers).

E.28/15 NEIGHBOURHOOD PLAN PROCEDURES

Members were asked to consider an urgent report that sought agreement to approve the Neighbourhood Plan Procedures as set out in the presented report.

The Portfolio Holder introduced the report and proposed a slight correction to the first recommendation to amend the Portfolio Holder title. He took Members through the key parts of the report, and then the Lead Specialist – Place and Strategy confirmed that approval of this report would help to speed up the Neighbourhood Plan process, which was in line with the recently published central government intention to have Local Plan documents in place by 2017.

It was then:

RESOLVED

1. That authority to approve the neighbourhood Plan procedures set out in Appendix 1 of the presented report be delegated to the Lead Specialist, Place and Strategy, in consultation with the Customer First Portfolio Holder and the local ward member(s) for the designated Neighbourhood Plan area; and
2. That, subject to agreement of recommendation 1, appropriate changes be made to the Council's Neighbourhood Plan Protocol.

E.29/15 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting but none were made. In accordance with the Council Constitution, r Cllr Bastone advised that he would abstain from the vote on agenda Items 14 'Operational Amendments to Off Street Parking Order' (Minute E.38/15 refers) and 15 'Dartmouth Park & Ride Service Review' (Minute E.39/15 refers) as both Items referred to matters within his local ward. He also abstained from the vote on Item 11: 'Medium Term Financial Strategy' (Minute E.35/15 refers).

E.30/15 PUBLIC QUESTION TIME

It was noted that no public questions had been received.

E.31/15 OUR PLAN UPDATE

Members considered a report that updated them on the status of Our Plan, in particular the Development Plan element of the Plan. It made recommendations for next steps which involved an adapted approach focussed around the Housing Market Area (HMA) and a strengthened Duty to Co-operate arrangement. This would require an amendment to the Local Development Scheme which was the document that established the timescale for Our Plan.

The Leader introduced the report and confirmed that this matter would be on the agenda for the regular meetings held between the Leader, Deputy Leader and Executive Directors to enable monitoring of progress, capacity and resources.

The Chairman of the Strategic Planning Working Group added a number of comments, including that there had been some concern over the length of time taken over Our Plan, but it was a complex issue with a range of subjects within it, which had been interfered with by the myriad of changes in central government policy.

During discussion, the following points were raised:

- One Member hoped that the Council would be proactive and would encourage sites to come forward. The Chairman of the Strategic Planning Working Group confirmed that there may be an opportunity to review previously discounted sites. The Lead Specialist Place and Strategy confirmed that officers would go back over the existing evidence and be more proactive with sites;
- The Leader stated that Members could have a role in bringing sites forward. The Lead Specialist Place and Strategy stated that the guidance to Neighbourhood Plan groups would be refreshed;
- A Member requested quarterly reports on progress be brought back to the Executive. This was proposed, seconded and on being put to the vote carried and the recommendation was duly amended;
- Members noted that the Duty to Co-operate would be central to the process. Members also discussed the inclusion of Torbay within the defined Housing Market Area;
- One Member raised concerns over the level of infrastructure in place and noted that the Highways Authority and South West Water had a key role in this regard;
- The Leader asked that officers produce a briefing paper on the impact of the recently published Housing and Planning Bill;
- Members discussed the importance of objectively assessed housing need numbers and how policy objectives would be governed from this definitive number;

- One Member stated that the support of the Neighbourhood Plan groups would give security to Our Plan on the ground;
- One Member suggested that the name Our Plan should be revisited, but there was no support for this at this stage amongst his Executive colleagues.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** that:

1. Option 2 for progression of *South Hams Our Plan*, as set out at section 4 of the presented agenda report, be pursued recognising that this will need a plan period to 2032 or 2033 or alignment with neighbouring authorities;
2. a detailed Duty to Co-operate protocol, or similar agreement, be established with neighbouring planning authorities within the Housing Market Area. This would address joint approaches to strategic planning relating to timetable, evidence, policies, strategic allocations, governance, staffing, scope of Housing Market Area, viability and infrastructure amongst other matters;
3. the Local Development Scheme be reviewed and re-issued in line with recommendation 1;
4. further evidence work (joint or specific) be procured as required;
5. the response to the Our Plan Topic Papers public consultations be published as set out at section 4 of the presented agenda report;
6. remaining Strategic Housing Land Availability assessment work be published as set out in section 4 of the presented agenda report and options for additional sites be explored;
7. a budget provision for 2016/17 of £75,000 be made for Our Plan examination anticipated to be met from the *Planning Policy and Major Development Reserve*.
8. guidance for Neighbourhood Plan Groups be issued to inform their work as it relates to Our Plan
9. a refreshed Our Plan Engagement Strategy be issued
10. regular updates be provided to the Strategic Planning Working Group
11. further monitoring reports be submitted to the Executive every three months and the Council as and when required making specific proposals for future consultation, consideration and submission of Our Plan
12. those specific details to be agreed under recommendations 2,3,6,8 and 9 be delegated to the Lead Specialist – Place and Strategy in consultation with the Chairman of the Strategic Planning Working Group and the Leader of Council.

E.32/15 BUSINESS DEVELOPMENT – ASSET MANAGEMENT STRATEGY

Members were asked to consider a report that sought approval of the updated Asset Management Strategy as detailed in the presented agenda report.

The Portfolio Holder for Business Development introduced the report. It was confirmed that a robust business plan would be expected in respect of any proposal to devolve assets.

It was then:

RECOMMENDED

That the updated Asset Management Strategy (as detailed in Appendix 1 of the presented agenda report) be approved.

E.33/15 PROVISION OF DISCRETIONARY INSPECTION SERVICES BY DEVON BUILDING CONTROL PARTNERSHIP

Members were asked to consider a report that sought agreement that the Devon Building Control Partnership provide inspections on behalf of new homes warranty providers where requested as set out in the presented report.

The Portfolio Holder for Commercial Services introduced the report and the Group Manager Commercial Services responded to questions relating to the Partnership acting in the capacity of providing New Homes Business Warranties when they had or had not assessed the progress of the build.

It was then:

RESOLVED

That the Devon Building Control Partnership provide inspections on behalf of new homes warranty providers where requested as set out in Section 2 of the presented agenda report.

E.34/15 COUNCIL TAX REDUCTION SCHEME

Members were asked to consider a report that recommended to agree to continue with the existing Council Tax Reduction scheme for 2016/17, and for delegated authority to be given to the Finance COP Lead in consultation with the Portfolio Holder to make amendments to the policy to take account of any further changes in law, government guidance or policy that required urgent attention.

The Portfolio Holder for Customer First introduced the report and advised that the recommendation should be amended for clarity to

include 'Support Services' after Portfolio Holder. Members discussed the exceptional hardship fund and officers were congratulated on how well the process was working and how the communication of the scheme when it was first introduced had been successful. The officer confirmed that they expected the amount spent of the exceptional hardship fund to increase as the year progressed.

A Member asked that the Overview and Scrutiny Panel include the Council Tax Reduction Scheme as an item on their future work programme. The Chairman responded by advising of the process to enable that to happen.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** to:-

1. agree to continue with the existing Council Tax Reduction scheme for 2016/17 with:
 - 80% maximum liability restriction meaning that working age claimants pay a minimum of 20% towards their council tax bill;
 - a property valuation band D restriction meaning that working age claimants living in larger properties do not receive greater levels of support than those living in small properties; and
 - an exceptional hardship fund to help those claimants experiencing severe financial difficulties;
2. delegate authority to the Finance Community of Practice Lead (s151 officer), in consultation with the Portfolio Holder (Support Services), to make amendments to the policy document to take account of any further changes in law, government guidance or policy that required urgent amendment.

E.35/15

MEDIUM TERM FINANCIAL STRATEGY

Members were presented with a report that asked them to consider the five year Medium Term Financial Strategy and provided an indication of the budget principles to be adopted.

The Portfolio Holder for Support Services introduced the report.

The COP Lead Specialist Finance explained that the Financial Strategy was an iterative process and responded to a number of questions regarding the use of New Homes Bonus to be included in the base budget and how there would still be a budget gap in future years, even after accounting for the savings delivered from the Transformation Programme.

Members also discussed the possible future position in respect of business rates and the Executive Director (CD&SD) advised Members that they should not expect the changes to result in a net gain.

It was then:

RESOLVED

That the five year Medium Term Financial Strategy be considered and the presented budget principles be adopted with particular reference to:

- the level of council tax increase;
- the use of New Homes bonus to support the revenue budget;
- the outcomes of the Budget Workshop held on 30 September summarised in Appendix D of the presented report;
- the amount of Council Tax Support Grant to be passed on to Parish and Town Councils (appendix E of the presented agenda report refers);
- bringing forward income generation and budget savings; and
- maintaining the current Council policy on the minimum level of unearmarked reserves being £1.5 million.

E.36/15 CAPITAL PROGRAMME MONITORING REPORT

Members were asked to consider a report that advised them of the progress on individual schemes within the approved capital programme, including an assessment of their financial position.

The Portfolio Holder for Support Services introduced the report. A local Ward Member for Dartmouth raised questions relating to the use of funds allocated to the public slipway to be transferred to fund a link corridor between the leisure centre at Dartmouth and the proposed new indoor swimming pool. The Executive Director (S&C) confirmed that the link was important and the funding of this was best explored through the procurement process.

A Member asked for further information on the redeployment of employment units, and another Member sought clarification on a project on Salcombe. In response to a query on updates on the leisure procurement project being circulated to town and parish clerks, the Executive Director (S&C) advised that updates would be sent when possible, but at this stage it was important not to breach commercial sensitivity.

It was then:

RESOLVED

1. That the report be noted;

That Council be **RECOMMENDED** that:

2. £153,000 of the capital programme contingency budget of £300,000 is approved to be allocated to the capital projects as set out in Appendix A of the presented agenda report; and
3. the capital budget for the purchase of a recycling depot is withdrawn from the Capital Programme as set out in Appendix A of the presented agenda report.

E.37/15

IVYBRIDGE PAY AND DISPLAY TARIFF REVIEW

Members were asked to consider a report that recommended approval of new Pay and Display tariffs for all car parks in Ivybridge, in response to the Ivybridge community requesting that South Hams District Council consider reviewing the tariffs so that community led tariffs are implemented. It was thought that this would encourage more footfall in the town and encourage visitors and shoppers to stay for longer.

The Portfolio Holder for Commercial Services introduced the report and outlined the proposed scheme. The Operations Manager Environment Services explained the financial modelling that supported the pilot. A local Ward Member advised Members of the background to the initiative and the detail of the proposal. He confirmed that local Ward Members had worked together with the Town Council and traders.

Members noted that the proposal was not cost neutral. It was also confirmed that commuter vehicles would be monitored and if the scheme was abused then the pilot would not be rolled out as a permanent scheme. If the pilot was successful, then the Town Council may consider supporting the scheme to cover any future financial shortfall.

It was then:

RESOLVED

That the proposed new Pay and Display tariffs for all car parks in Ivybridge, as detailed in paragraph 3 of the presented agenda report, be approved.

E.38/15

OPERATIONAL AMENDMENTS TO OFF STREET PARKING ORDER

Members were asked to consider a report that requested that amendments be made to the South Hams Off Street Parking Places

Order in respect of reserved parking bays in Mayor's Avenue Car Park Dartmouth, the provision of reserved parking for Leisure Centre customers at Dartmouth Park and Ride site, and the provision of parking on Dartmouth South Embankment.

The Portfolio Holder Commercial Services introduced the report. In discussion, Members asked that parking regulations on Dartmouth South Embankment be enforced.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** that:

- a) the provision of the new reserved bays at Mayor's Avenue Car Park, Dartmouth, be added to the South Hams Off Street Parking Places Order;
- b) the provision of reserved bays for leisure centre customers, at Dartmouth Park & Ride site, be added to the South Hams Off Street Parking Places Order; and
- c) the provision of parking on the fish quay area on Dartmouth South Embankment to generate a revenue towards the maintenance of the structure be added to the South Hams Off Street Parking Places Order.

E.39/15 DARTMOUTH PARK & RIDE SERVICE

Members were asked to consider a report that sought approval of the proposal to carry out a tender exercise to appoint a contractor for the provision of the bus service for Dartmouth Park and Ride.

The Portfolio Holder for Commercial Services introduced the report and a local Ward Member asked that existing s106 funds be used to provide lighting to improve security in the area. The Leader responded that as Park and Ride was a Devon County Council (DCC) function, then perhaps DCC could be approached for support.

It was then:

RESOLVED

That the proposal to carry out a tender exercise in order to appoint a contractor for the provision of the bus service for Dartmouth Park and Ride be approved.

E.40/15 HEALTH AND SAFETY MANAGEMENT

Members were asked to consider a report that sought approval and recommendation of the Health and Safety Statement of Policy, and that the Statement of Policy be reviewed annually.

The Leader introduced the report and Members raised a small number of queries.

It was then:

RECOMMENDED

That Council be **RECOMMENDED** that:

1. the Health and Safety Statement of Policy be accepted and signed by the Head of Paid Service and the Leader of Council; and
2. The Health and Safety Statement of Policy be reviewed and signed annually on the occasion of the Annual Council Meeting.

E.41/15 REPORTS OF OTHER BODIES

RESOLVED

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

a) Overview and Scrutiny Panel – 17 September 2015

i. O&S.39/15 (2) SOUTH HAMS CVS MONITORING

RECOMMENDED

That Council be **RECOMMENDED** that the existing Service Level Agreement be renewed for a further twelve months on the existing terms (in accordance with clause 15.2 of the Service Level Agreement)

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF E.31/15, E.32/15, E.34/15, E.36/15 (2) and (3), E.38/15, E.40/15 AND E.41/15 a) i) WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 10 DECEMBER 2015, WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY, 26 OCTOBER 2015 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

(Meeting commenced at 10.00 am and concluded at 12.30 pm)

Chairman

PUBLIC QUESTIONS AT EXECUTIVE MEETINGS

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

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

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

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

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Agenda Item 7

Report to: **Executive**
Date: **10 December 2015**
Title: **Revenue Budget Monitoring 2015/2016**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

Author: **Pauline Henstock** Role: **Finance Business Partner**

Contact: **Tel. 01803 861377**
E-mail: pauline.henstock@swdevon.gov.uk

Recommendations:

That the Executive resolves to :-

- i) Note the forecast income and expenditure variations for the 2015/16 financial year and the overall projected overspend of £70,000 (1% of the total Budget £8.839 million).
- ii) Recommend to Council to use £50,000 from the Strategic Issues Reserve, £150,000 from the Planning Policy and Major Developments Reserve and £55,000 from the T18 Investment Reserve to fund :-
the T18 transition costs of £125,000 (see Note J),
the vacancy provision of £100,000 which has not been met (see Note J) and the planning legal fees of £30,000 (Note R)
- iii) Recommend to Council that the uncommitted balance of £50,000 from the Print Room Equipment Reserve is released back to General Fund (Unearmarked) reserves.
- iv) Recommend to Council to transfer £25,000 into an Earmarked Reserve for Homelessness prevention as per Note F.

1. Executive summary

1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2015/16, and provides a forecast for the year end position.

1.2 The gross service expenditure budget for 2015/16 was set at £42 million (£8.839 million net). **Actual net revenue expenditure is forecast to be over budget by £70,000 when compared against the total budget set for 2015/16.** This equates to 1% of the overall net budget.

1.3 The £70,000 could be met by unearmarked (general fund) revenue reserves and would reduce the balance on the reserve from £1.741 million (at 31/3/15) to £1.671 million (at 31/3/16) as shown in Appendix A.

1.4 It is also best practice for the Council to undertake an annual review of its Earmarked Reserves. This report contains the results of the annual review and a recommendation on the financing arrangements for Earmarked Reserves for the 2015-16 financial year. **It is recommended that £305,000 is transferred from Earmarked Reserves to the Comprehensive Income and Expenditure Account in 2015-16. This utilises funding from Earmarked Reserves to fund various 'one-off' items in the 2015-16 financial year, in accordance with the planned uses of the Earmarked Reserves.** These are set out in detail in section 4 of the report.

1.5 Annually transfers are made from Earmarked Reserves to the Comprehensive Income and Expenditure Account. In 2014-15 the Council gave delegated authority to the S151 Officer (Finance Community of Practice Lead) to determine the appropriate financing arrangements for the 2014-15 year for this. Any decisions to utilise funding from Earmarked Reserves can only be taken by Full Council (or be delegated to the S151 Officer). As these financing transactions can be identified at an early stage in 2015-16, **a recommendation is made to Council to agree the accounting entries to reflect the financing of one-off items in 2015-16.**

2. Background

2.1 The Council's financial procedure rules require that reports must be made on budget monitoring on a regular basis to the Executive as part of the Council's arrangements for budget management.

3. Outcomes/outputs

3.1 Budget overview

Table 1 below provides an analysis of the projected variances against budget.

TABLE 1: 2015/16 BUDGET FORECAST

	2015/16 Budget expenditure /(income) £000	Budget variations increase/ (decrease) £000	£000	Note
APPROVED BUDGET			8,839	
Reductions in expenditure/additional income				
Planning Applications (income)	(700)	(200)		A
Local Land Charges property search new burdens grant	-	(95)		B
Land and Investment Properties – Easement Income	-	(85)		C
Heritable dividend	-	(50)		D
Housing Benefit recoveries	(175)	(50)		E
Homelessness Prevention	83	(35)		F
Elections income	-	(25)		G
Investment income	(123)	(20)		H
Small underspends	-	(20)		I
Sub total of variations			(580)	
Increases in expenditure/reductions in income				
T18 Transition costs (Temporary short term staffing and agency costs) within Environmental Services, Customer First and Support Services	6,115	125		J
Vacancy provision of £100,000 not met in 15/16		100		
Trade Waste	359	160		K
Recycling income	(925)	160		L
Environmental Services – Manual workers’ salary costs	2,100	100		M
Dartmouth Lower Ferry income	(907)	100		N
Follaton House	(231)	90		O
Waste Transfer Station	147	50		P
Car Parks Income	(2,922)	40		Q
Planning legal fees	4	30		R
Sub total of variations			955	

Financing: Funding from Earmarked Reserves				
Strategic Issues Reserve	n/a	(50)		4.2
Planning Policy and Major Development Reserve	n/a	(150)		4.2
T18 Investment Reserve	n/a	(55)		4.2
Print Room Equipment Reserve		(50)		4.3
Sub total of funding from Earmarked Reserves			(305)	
PROJECTED OUTTURN			8,909	
PROJECTED OVERSPEND (Net impact on the Comprehensive Income and Expenditure account for 2015-16)			70	

Notes

- A. **Planning** – There is predicted to be additional income from planning applications of £200,000 (in excess of the budget of £700,000), mainly due to a number of large applications for renewable energy.
- B. **Local Land Charges** – A new burdens grant for Local Land Charges has been received from the Government of just over £95,000. This is a reimbursement from the Government for the costs of the national legal case regarding Land Charges. As the Council funded this cost in the 2014-15 financial year, the timing difference on this new burdens grant being received means that this is additional income in 2015-16 as the costs have been previously financed.
- C. **Land & Investment Properties** – Unbudgeted income in the sum of £85,000 has been received this financial year. This income is made up of one off receipts in respect of easements over Council land.
- D. **Heritable Dividend** – The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that were affected by the world economic crisis. Of this amount £1,177,632 (94%) has already been repaid to the Council by the Administrators. On 7 September 2015 the Council received a further dividend of £49,885 (increasing the amount recovered to 98%). In 2013/14 the balance remaining was impaired (written out of the Balance Sheet), therefore this extra dividend of £49,885 is additional income for 2015/16.

- E. **Housing Benefit recovery of overpayments** – Additional income of £50,000 from the recovery of overpayments is predicted (budgeted expenditure for Housing Benefit in 2015/16 is £21 million).
- F. **Homelessness Prevention** – The Council receives a Government grant towards the costs of homelessness prevention. The Council has predominantly funded homelessness costs through the Local Welfare Support Grant which has reduced the amount spent against the Government grant. £25,000 is requested to be set aside in an Earmarked Reserve for homelessness to cover additional costs in the winter months. The balance of £35,000 will be additional income for 2015-16 as shown in Section 3.1.
- G. **Elections income** – Grant income of £25,000 for the 2014-15 European election grant claim which will be received in 2015-16 and for which the costs have already been incurred in 2014-15.
- H. **Investment Income** – The Council has secured a better rate for Money Market Fund investments that are used to manage day to day cashflows, and improved the use of fixed term deals with the Banks available to lend to on the Council's current agreed Counterparty list. An additional income of £20,000 is expected.
- I. **Small underspends** – A total of £20,000 of small underspends has been identified.
- J. **Transition costs for the Transformation Programme and the Vacancy Provision not being met**

There have been short term temporary transition (staffing and agency) costs within Environmental Services, Customer First and Support Services, totalling £125,000. In addition, the budget for the vacancy provision of £100,000 in 15/16 has not been met due to the transformation programme, as staff have been newly appointed into posts.

Environmental Services – There have been overtime costs for various services within Environmental Services. This has allowed the Council to continue to provide front line services at non-reduced levels throughout the period of the transformation programme.

Customer First - Temporary resources are being used to backfill positions primarily within planning. The planning service is using 1.6FTE (full time equivalent) staff over and above the establishment.

Part of the additional costs have arisen due to the additional workload and the additional income of £200,000 which the planning service has brought in (see A). Some of the costs have also arisen due to this being a transition cost for the service of migrating from the old planning system to the new planning system (W2).

Support Services - There are additional staffing and agency costs within Support Services. This is mainly for T18 transition costs for legal, finance and service processing where temporary resources are currently being used in support services until the full functionality of the new workflow system (W2) can be utilised by Support Services, which is anticipated to go live at the end of March 2016.

K. **Trade Waste** – This reflects the increase in disposal costs and tipping charges, which occurred after the fees and charges for the service were set. There have also been legislative changes adversely affecting the service. Therefore Trade Waste is currently projected to be £160,000 overspent in 2015/16. A review of the fees and charges of the service is being carried out for the 2016/17 financial year.

L. **Recycling Income** – A proportion of the strategic waste review savings were linked to recycling income increases. Members should be aware that prices were based on the recycling market prices indexes at the time of the service review. In the interim period, the market has changed significantly due to external factors, including the closure of a major paper mill and a change in oil prices. Our material prices are tracked according to market values, so these may increase but they are currently producing a lower yield than that profiled in the market at the time of the waste review. It is projected that recycling income will be £160,000 (17%) under the budgeted income target of £925,000.

M. **Environmental Services – manual workers’ salary costs** – It is projected that manual staffing and agency costs for waste and recycling, street and beach cleaning and public conveniences will be overspent by £100,000 (4.8%) against the budget of £2.1 million. This has been for the following reasons:-

Costs to cover long term sickness and holiday within the manual workforce.

The conversion to a living wage, which has included a bonus consolidation for the manual workforce.

It has been necessary to increase agency drivers’ rates. This increase has been linked to national pricing pressures due to the increasing number of driving posts available in the marketplace due to the increase in internet shopping/supermarket delivery.

There has been a need to use, on occasion, permanent manual labour to support the operational management of the service delivery during the transition period of the transformation programme.

- N. **Dartmouth Lower Ferry-** Members will recall that the Ferry was out of action until 20th May 2013 for essential slipway maintenance (Minute E.15/12 refers). The indications are that not all the business lost during this period has returned and a shortfall in income of £100,000 (11%) is forecast (budgeted income for 2015-16 is £907,000).

- O. **Follaton House** – The Follaton House budget is projected to be £90,000 overspent due to two main factors. In the T18 Business Case it was anticipated that there would be £60,000 of reduced running costs at Follaton House due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised to this extent, although work has commenced on re-procuring some of the utilities costs. In addition, it was anticipated that the letting income for Follaton House could be increased by £50,000 in 15/16. There have been delays in tenants moving in so only around £20,000 additional rent will be received in this financial year.

- P. **Waste Transfer station** - Haulage of organic and residual waste from both Torbay Transfer station and Torr Quarry Transfer Station to Heathfield IVC and MVV continue to rise causing a cost pressure of £50,000.

- Q. **Car parks** - Car parking income is anticipated to be below its income target by £40,000 (1.4%) on an income budget of £2.9 million. The Council has been addressing budget under-performances through a realignment exercise over a period of time. The income target from car parking was reduced by £50,000 per annum for 2014/15, 2015/16 and 2016/17.

- R. **Planning legal fees** – There have been legal fees for planning of £30,000 in 2015/16.

4. Review of Earmarked Reserves

4.1 The Council annually undertakes a review of the level of its Earmarked Reserves. A schedule is attached at Appendix A with their proposed use.

4.2 It is recommended that £50,000 from the Strategic Issues Reserve (uncommitted balance), £150,000 from the Planning Policy and Major Developments Earmarked Reserve and £55,000 from the T18 Investment Reserve are used to fund :-

the T18 transition costs of £125,000 (See Note J),
the fact that the vacancy provision budget for 15/16 of £100,000 has not been met (See Note J).
and the planning legal fees of £30,000 (Note R).

4.3 Following the review, it is also recommended that the uncommitted balance of £50,000 from the Print Room Equipment Reserve is released back to General Fund (Unearmarked) reserves. This amount is not required to fund future print room equipment.

4.4 Annually transfers are made from Earmarked Reserves to the Comprehensive Income and Expenditure Account. In 2014-15 the Council gave delegated authority to the S151 Officer (Finance Community of Practice Lead) to determine the appropriate financing arrangements for the year for this. Any decisions to utilise funding from Earmarked Reserves can only be taken by Full Council (or be delegated to the S151 Officer). As these financing transactions can be identified at an early stage in 2015-16, ***a recommendation is made to Council to agree the accounting entries to reflect the financing of one-off items in 2015-16.***

4.5 It is also recommended to Council to transfer £25,000 into an Earmarked Reserve for Homelessness prevention as per Note F.

5. Prudential Indicators

5.1 The prudential code indicators were approved in the Treasury Management Strategy report to the Executive on 5 March 2015. The indicators are monitored during the year through the normal revenue and capital monitoring processes. Any exceptions are reported to the Executive together with any remedial action or revision required. To date all Treasury Management limits have been adhered to.

6. Income and Reserves

Income monitoring is an integral part of financial management. Current income forecasts are as follows:

Service	Actual Income 2014/15 £'000	Income Budget 2015/16 £'000	Projected Income 2015/16 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	2,978	2,922	2,882	40	1.4%
Dartmouth Ferry	813	907	807	100	11.0%
Employment Estates	1,390	1,342	1,342	-	-
Licensing	235	230	230	-	-
Planning Applications	1,190	700	900	(200)	(28.6%)
Land Charges	208	170	170	-	-
Recycling credits	701	925	765	160	17.3%
TOTAL	7,515	7,196	7,096	100	

7. Proposed Way Forward – Management Actions

7.1 The table below sets out the relevant management actions for the revenue expenditure and income variations shown above. It is best practice for the Council to state whether there are any corrective actions that need to be taken for the variances identified in 2015-16.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Planning Applications (income)	(200)	It is not recommended to increase the planning income target for 2016/17, as the additional income in 2015/16 is mainly due to one off renewable energy applications.
Local Land Charges property search new burdens grant	(95)	No action - This is a one off grant payment.

	Budget variations overspend/ (underspend) £000	Management Action
Land and Investment Properties – Easement Income	(85)	No action - This is one off income.
Heritable dividend	(50)	No action - This is a one off dividend payment.
Housing Benefit recoveries	(50)	It is recommended to put a savings figure of £30,000 into the 2016/17 budget to reflect the likely income from housing benefit recoveries in 2016/17.
Homelessness Prevention	(35)	This will be kept under review.
Elections income	(25)	No action - This is a one off grant payment.
Investment income	(20)	Due to the anticipated rise in interest rates in the future, an additional £50,000 has been built in to the 2016/17 Budget for additional investment income.
Small underspends	(20)	No management action required.
Increases in expenditure/reductions in income		
Transition costs (Temporary short term staffing and agency costs) within Environmental Services, Customer First and Support Services	125	It is expected that this is a temporary additional cost in 2015/16 whilst the Transformation Programme (T18) is being embedded. No change is recommended to the 2016/17 budget.
Vacancy provision of £100,000 not met in 15/16	100	The budget for the vacancy provision will be removed for 2016/17. This is shown as a cost pressure in the Budget report for 2016/17.
Trade Waste	160	A budget pressure of £130,000 has been built in to the draft 2016/17 budget. It is proposed that this is increased by £30,000 to reflect the current pressure of £160,000.
Recycling income	160	It is proposed that this recurring income shortfall is built in to the 2016/17 budget to reflect market conditions.

	Budget variations overspend/ (underspend) £000	Management Action
Environmental Services – Manual workers’ salary costs	100	It is proposed that this recurring cost pressure is built in to the 2016/17 budget.
Dartmouth Lower Ferry income	100	A reduction in the income target of £100,000 has already been built in to the budget for 2016/17.
Follaton House	90	The Assets team continue to maximise the best use of the lettings space. However, it is felt prudent to reduce the budget for 2016/17 by £50,000.
Waste Transfer Station	50	It is proposed that this recurring cost pressure is built in to the 2016/17 budget.
Car Parks Income	40	A reduction in the income target of £50,000 has already been built in to the budget for 2016/17.
Planning legal fees	30	It is proposed that this cost pressure is built in to the 2016/17 budget.

8. Issues that may impact on the budget monitoring position in the next 3 months/Risks

The budget monitoring position assumes that collection rates will remain at previous levels. The unknown area is the impact that Universal Credit may have on future collection rates and arrears levels. Universal credit is a new single benefit payment for people out of work or on low incomes. The aim of Universal Credit is to make the welfare system simpler by replacing six benefits with one single monthly payment. Universal Credit replaces a range of benefits including Income Support, Jobseeker’s Allowance and Housing Benefit.

For Business Rates, it has been assumed that the Council is still in a situation where it is paying a Business Rates levy. This is regularly monitored and any change to this position will be reported to Members.

9. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Statutory Powers that apply to this report are the Local Government Act 1972 Section 151 and the Local Government Act 2003 Section 28.
Financial	Y	<p>The report identifies an overall overspend of £70,000 which is 1% of the overall budget set for 2015/16 of £8.839million.</p> <p>It is recommended that £305,000 is transferred from Earmarked Reserves to the Comprehensive Income and Expenditure Account in 2015-16. This utilises funding from Earmarked Reserves to fund various 'one-off' items in the 2015-16 financial year, in accordance with the planned uses of the Earmarked Reserves. These are set out in detail in section 4 of the report.</p> <p>Any decisions to utilise funding from Earmarked Reserves can only be taken by Full Council (or be delegated to the S151 Officer). As these financing transactions can be identified at an early stage in 2015-16, a recommendation is made to Council to agree the accounting entries to reflect the financing of one-off items in 2015-16.</p> <p>It is also recommended to Council to transfer £25,000 into an Earmarked Reserve for Homelessness prevention as per Note F.</p>
Risk	Y	<p>1) Budget variances – continual budget monitoring at all levels within the Council ensures early identification of variances. Reporting to the Executive provides an opportunity for Members to identify and instigate remedial action where appropriate.</p> <p>2) Resource Planning – the Executive takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
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

Appendix A – Schedule of Reserves (Earmarked Reserves and Unearmarked Reserves).

Background Papers:

Finance Community of Practice budget monitoring working papers.
Executive 15 October 2015 - Medium Term Financial Strategy for the five year period 2016/17 to 2020/21.

Approval and clearance of report

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

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RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)					
			Opening balance	Projected Balance	
		2015/16 Contribution	1 April 2015	31 March 16	Comments
		£000	£000	£000	
EARMARKED RESERVES					
Code	Specific Reserves - General Fund				
0631	Capital Programme	182	129	740	Reflects repayment of temporary borrowing from this reserve to finance T18 initial investment costs in 2014/15
0633	Revenue Grants		393	393	Comprises grants with no repayment conditions created as a result of International Financial Reporting Standards (IFRS)
0635	Affordable Housing		453	84	Due to Capital Programme commitments
0638	Renovation Grant Reserve		1	1	Comprises proceeds from repayments
0639	New Homes Bonus		184	154	Allocation carried forward is for Community Reinvestment projects for 15/16
0641	Business Rates Retention		304	0	Will be used to offset the balance on the Collection Fund. This relates to a timing issue on the accounting adjustments required for the localisation of business rates. £100K pooling gain to be used to finance the postponement to 2016 of the waste round review and other changes.
0645	Strategic Issues		133	0	£75K used to finance the postponement to 2016 of the waste round review and release of the uncommitted balance of £50K to the general fund (4.2).
0650	Community Parks and Open Spaces	17	108	122	
0660	Pension Fund Strain	99	0	0	There is a separate T18 strategic change reserve for pension strains arising from the transformation programme.
0665	Repairs & Maintenance	55	369	371	
0667	Marine Infrastructure		19	47	A new reserve for the maintenance of marine assets
0670	Land and Development		184	184	
0675	Ferry Repairs & Renewals	87	263	350	
0680	Economic Initiatives		120	103	N.B. £82k earmarked for RDP Local Action 2015/16 to 2020/21. E21/14 refers
0685	Vehicles & Plant Renewals	541	1,735	49	Due to programmed vehicle replacements in 2015/16.
0690	Pay & Display Equipment Renewals	21	40	61	
0695	On-Street Parking		44	44	
0696	T18 Investment Reserve	578	0	0	To fund T18 one-off investment costs e.g. ICT costs
0698	Strategic Change Reserve (T18)	1,372	0	0	A new reserve set up to fund T18 redundancy and pension costs.
0700	Print Room Equipment		76	26	£50K can be released back to the general fund (see 4.3)
0705	ICT Development		203	134	
0710	Sustainable Waste Management		72	0	Recycling and Waste Review
0720	District Elections	10	68	78	
0725	Beach Safety		14	14	
0730	Planning Policy & Major Developments		596	348	Includes a potential commitment to this reserve of £75K for Our Plan and £150K towards funding transition costs (see 4.2)
0735	Building Control		271	271	
0740	Section 106 Deposits		41	41	Comprises deposits with no repayment conditions - created as a result of IFRS
0830	Members Sustainable Community Locality		7	0	
Sub Total		2,962	5,827	3,615	
GENERAL RESERVES					
0765	General Fund Balance (Unearmarked Reserves - Accumulated Surplus)		1,741	1,671	The balance will reduce by the predicted overspend in 2015/16 of £70K - see Executive Summary of the covering report.

TOTAL REVENUE RESERVES		7,568	5,286	
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Agenda Item 8

Report to: **Executive**
Date: **10 December 2015**
Title: **Budget Proposals Report 2016-17**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

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

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

Recommendations:

That the Executive:

- i) Considers the Budget Proposals report for 2016-17 and the outcomes of the Members' Budget Workshop (Appendix D), prior to requesting the views of the Overview and Scrutiny Panel in January 2016 on the budget issues contained within the report.

1. Executive summary

1.1 The Council's Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling five year timeframe to 2020/21 which will help ensure resources are aligned to the outcomes in Our Plan. **The changes to the Budget Report from the last Budget report to the Executive on 15 October 2015 are shown in detail in Section 5.11.**

1.2 The forecast is intended to provide a framework within which decisions can be made regarding the future service provision and council tax levels whilst building an approach that guarantees South Hams District Council's longer term viability.

- 1.3 Local authorities have faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. The Queen’s Speech delivered on 27 May 2015 stated that the government will “continue the work of bringing the public finances under control and reducing the deficit, so that Britain lives within its means”. The Summer Budget on 8 July 2015 has confirmed this and is likely to mean significant financial reductions particularly over the next two to three years until the government achieves its aim of running a budget surplus by 2019/20.
- 1.4 By the end of 2015/16, the Council’s grant funding (Revenue Support Grant) will have reduced by over 40% from 2013. The economic backdrop continues to be challenging, resulting in significant on-going reductions in Government funding, with the Council needing to focus on long term financial planning.
- 1.5 In response, in 2013 the Council alongside its shared services partner, West Devon Borough Council, approved an innovative Transformation Programme (T18). This is delivering a new operating model to ensure that both Councils can continue to deliver quality services for its customers and communities. An investment budget of £4.6 million has been approved, to deliver annual recurring revenue savings of £3.3 million. The payback period for the Programme is 2.5 years. The Transformation Programme has received the backing of Central Government with an award of £434,000 of Government funding.
- 1.6 The following table illustrates the predicted budget (surplus)/gap from 2016/17 onwards for the Council as shown in Appendix B1:

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Annual budget (surplus)/gap	(753,232) surplus	13,027 gap	489,802 gap	456,310 gap	670,164 gap
TOTAL BUDGET SURPLUS OVER THE FIVE YEARS TO 2020/21					£876,071

Section 6.4 gives more details of the key assumptions regarding these figures. The budget surplus in 2016/17 of £753,232 is available for reinvestment (on a one-off basis rather than annually) in the Council’s priorities, projects or as a contribution into Earmarked Reserves or the Council’s Capital Programme.

- 1.7 If New Homes Bonus (NHB) were to be used as outlined in 7.3 of the report, this would mean that there would potentially be £817,313 of NHB which is uncommitted in 2016/2017, **but this would only be the case if any policy changes to NHB didn’t come in until 2017/18.** The Budget Proposals assume that £0.5 million of NHB will be used annually to support the Revenue Base Budget.

- 1.8 Whilst there remains a great deal of uncertainty about various elements of income and expenditure, the forecast has been based on a set of assumptions which represent a cautious estimate in order to focus attention on the revised scale of the funding gap. The figures will be revised as we progress through the financial year.
- 1.9 The Council's approach to financial planning over the medium term will include a focus on income generation and commercial opportunities. This will strengthen the position of the District Council by developing financial resilience through less exposure to reductions in Government funding.
- 1.10 Members considered the Medium Term Financial Strategy at the Executive meeting on 15 October 2015. Below is an extract of the relevant Minute:

E.35/15 MEDIUM TERM FINANCIAL STRATEGY

It was then:**RESOLVED**

That the five year Medium Term Financial Strategy be considered and the presented budget principles be adopted with particular reference to: the level of council tax increase;

- the use of New Homes bonus to support the revenue budget;
- the outcomes of the Budget Workshop held on 30 September summarised in Appendix D of the presented report;
- the amount of Council Tax Support Grant to be passed on to Parish and Town Councils (appendix E of the presented agenda report refers);
- bringing forward income generation and budget savings; and maintaining the current Council policy on the minimum level of unearmarked reserves being £1.5 million.

2 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

- 2.1 A two year employee pay settlement has been agreed which effectively equates to 1% in 2014/15 and a further 1.2% in 2015/16 for most employees. Future levels of pay settlement will be determined by national negotiation between the Local Government Employers and the Trade Unions. The Summer Budget 2015 did announce the context of a limiting of pay awards to 1% for the period 2016/17 to 2019/20. A budget provision of 1% for 2016/17 onwards has been modelled. The MTFS is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 2.2 The MTFS assumes inflation will run at 2% (Government target) over the five year period. The Retail Price Index (RPI) at September 2015 was 0.8% and Consumer Price Index was -0.1%. A cost pressure of £395,000 has been included for 2016/17. This is partly to allow a provision for an expected increase in business rates from the revaluation due in 2017.

2.3 The predicted interest rate forecast from our treasury management advisors, Sector, is shown below. The Council's budgeted investment income in 2015/16 is £123,000. It is assumed that the interest rate return for our investments will average 0.75 % for 2016/17 rising to 1.5% by 2018/19 as shown below:-

2016/17	-	0.75%
2017/18	-	1.00%
2018/19	-	1.50%

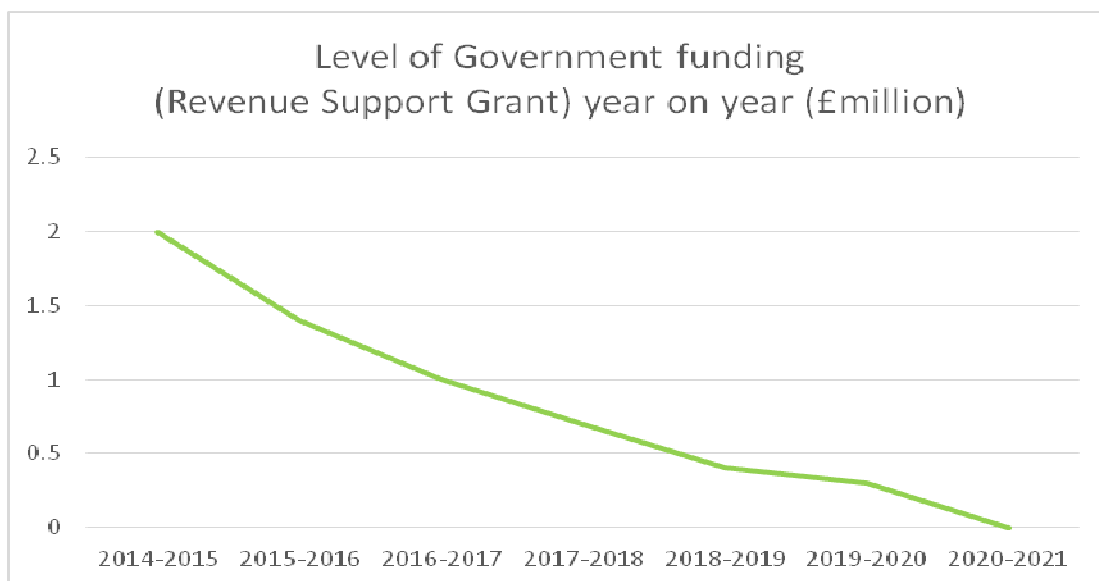
2.4 An increase in council tax of 1.99% for the next five years has been modelled for council tax purposes. This means an increase to £148.31 in 2016/17 as shown in Appendix B1. Appendix B2 shows how this figure differs, if council tax is increased for 2016/17 but then frozen for subsequent years.

2.5 The assumed forecast reductions in Revenue Support Grant (RSG) are as follows (see 3.1 and 3.2):

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Revenue Support Grant (2015/16 RSG was £1.406m):	£1.032m	£0.719m	£0.429m	£0.35m	Nil
% reduction	27%	30%	40%	18%	100%
TOTAL REDUCTION OVER THE FIVE YEARS TO 2020/21					£1.406m

3. GOVERNMENT FUNDING

3.1 The Government announced the figures for 2015-16. This was a one year settlement for 2015/16 only. No indicative funding levels have been published for 2016/17 onwards. The Revenue Support Grant was £1.215 million for 2015/2016 and it is assumed this will fall to Nil by 2020/21. ***Detailed local government information at authority level for 2016/17 will not be available until the Provisional Local Government Settlement is announced in mid December 2015.*** The graph below shows how Revenue Support Grant has fallen since 2014-15.



3.2 Spending Review 2015 (SR2015) - In July 2015, the Chancellor of the Exchequer published a policy paper, 'Spending Review 2015' – A country that lives within its means.

The Spending Review was issued on 25 November and a Members' Briefing Note was circulated in the Members' Bulletin on 27th November. The key points are:-

- Revenue Support Grant will be reduced to zero by the end of Parliament
- There will be a move to 100% business rates retention which will include the ability for local authorities to be able to reduce rates locally
- Local authorities will be able to spend 100% of fixed asset receipts on the revenue costs of "reform projects"
- There will be an extension to the doubling of small business rate relief for 12 months to April 2017.
- ***The Government will consult on reforms to the New Homes Bonus scheme in December, including the means of 'sharpening' the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years.***
- Nationally there will be an extra £500m for Disabled Facilities Grants
- An extra 3% will be charged on Stamp Duty Land Tax for the purchase of additional residential properties, such as buy to let properties and second homes, with effect from 1 April 2016. ***The Government will use some of the tax collected to provide £60 million for communities where the impact of second homes is particularly acute.***

- 3.3 **Retained Business Rates** - The Government introduced the Business Rates Retention system from April 2013. There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline. However, Authorities can voluntarily form a 'pool'. Pooling mitigates each Authority's exposure to Business Rate income volatility as the risks are spread over a larger pool.

In 2014/15 the Council received £99,428 as a pooling gain. This was additional business rates income generated as a consequence of being part of the Devonwide Business Rates pool.

In line with good financial management principles, a provision has been made in the Accounts for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year end as advised by the Valuation Office Agency and on advice from them about the likely success rate of appeals. The Council has withdrawn from the Devonwide Business Rates pool in 2015/2016, due to the risk of some significant business rates appeals.

The Council's Business Rates Gross amount payable has increased from £26.9 million in 2012/13 to £31.2 million in 2015/16. Therefore over the last 3 years, the District Council's business rates base has grown on average by 5% per annum.

Of the Business Rates collected of £31.2 million, the Council is predicted to retain in funding only £1.995 million of this in 2015/16. So the District Council retains approximately just under 6.5 pence in every £1 to run our services.

In 10.9 and 10.10 the Medium Term Financial Strategy refers to Devolution and part of any Devolution offering to Government could be around the share of Business Rates retained.

- 3.4 On 5 October 2015, the Chancellor unveiled 'devolution revolution'. This set out major plans to devolve new powers from the Government to local areas to promote growth and prosperity. The main announcement was that by the end of Parliament, local government will be able to retain 100 per cent of local taxes – including all £26 billion of revenue from business rates by 2020 – to spend on local government services.
- 3.5 Announced alongside this was that the core grant from Government (Revenue Support Grant) will be phased out. This is in tandem with the assumptions made in the Medium Term Financial Strategy that the Revenue Support Grant will be reduced to zero by 2020 (see 2.5 and 3.1).

- 3.6 It was also announced that local government will take on new responsibilities. The announcement also said that ‘Local authorities will be able to cut business rates as much as they like’. This is significant new powers for local authorities.
- 3.7 Until more detail is released, it is not known what financial impact the announcement will have on the District Council for either 2016/17 or future years. It could take a year or so for the mechanics of how the full retention of business rates system would work to be known, and what that would mean financially for all tiers of local government.
- 3.8 **Business Rates Revaluation** - There will be a Business Rates Revaluation which will go live on 1 April 2017. Following publication of the draft lists at the end of September 2016, the Valuation Office will be directing business ratepayers to their website where ratepayers can view their rateable value, find answers to their queries, and send factual corrections to the Valuation Office. This should improve ratepayers understanding of their proposed assessment and improve the accuracy and stability of the final lists when they become live on 1 April 2017.
- 3.9 **Income from Council Tax** – The District Council froze council tax for 2015/16 at £145.42 for a Band D property for South Hams. The total income from Council Tax equates to £5.3 million in 2015/16 as per Appendix B.
- 3.10 **Council Tax** – The table below shows how an average Band D council bill is made up for South Hams District Council for the last two years:

Precepting Authority	Band D 2014/15	Band D 2015/16	£ Increase	% Increase
South Hams District Council	£145.42	£145.42	£0	0%
Devon County Council	£1,138.59	£1,161.27	£22.68	1.99%
Devon & Cornwall Police & Crime Commissioner	£166.16	£169.47	£3.31	1.99%
Devon & Somerset Fire & Rescue	£76.89	£78.42	£1.53	1.99%
Average Parishes/Towns	£44.03	£45.94	£1.91	4.34%
TOTAL	£1,571.09	£1,600.52	£29.43	1.87%

South Hams District Council's share of the council tax bill in 2015/16 was **9%**, being £145.42 out of an average Band D council tax bill of £1,600.52. ***If the Council were to increase council tax by 1.99% in 2016/17, this would equate to a Band D council tax of £148.31 - an increase of £2.89 per year.***

- 3.11 **Council Tax Referendum Limit** – The Localism Act introduced the power for the Secretary of State to set principles each year under which council tax increases are determined to be excessive. The Government announced that council tax increases of 2 per cent or over will be subject to a council tax referendum for 2015/16. This did not apply to Towns or Parishes in 2015/16. There is no formal indication yet of what a referendum limit might be for 2016/17.
- 3.12 **Council Tax Freeze Grant** - In 2015/16 the Council froze council tax and accepted a 1% Council Tax Freeze Grant offer for £57,789. Again no details are yet known about any council tax freeze grant offer for 2016/17.
- 3.13 **Collection Fund Surplus** – At the end of March 2015, the Council has a balance on its Collection Fund (council tax collection fund) of £2.062 million. This will be distributed in 2016/17, which means that the District Council's share of the distribution is £210,000 which is funding available towards the 2016/17 Budget.

4 THE COUNCIL'S STRATEGIC PRIORITIES – OUR PLAN

- 4.1 The strategic plan for South Hams, 'Our Plan' sets out the vision, long term priorities and planning policies for the District as below:-

***South Hams - Vibrant Towns and Villages
Enhancing the quality of life for individuals and communities
whilst conserving the natural environment***

- 4.2 Our Plan is an overarching strategic plan for the whole District. It covers a wide range of topics, from issues such as community wellbeing, energy needs and landscape protection through to employment growth, housing and infrastructure.

4.3 The themes are set out below.



4.4 The themes formed the basis of ongoing consultation throughout the summer of 2014, which included public events in all South Hams market towns and some local centres.

4.5 The actions in the Delivery Plan are grouped under the following headings:

- Homes
- Jobs
- Natural Environment
- Excellent Customer Services

The full document can be accessed on <http://www.southhams.gov.uk/ourplan>

5 BUDGET PRESSURES FOR 2016/17 ONWARDS

- 5.1 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 5.2 **Appendix A** to the Medium Term Financial Strategy sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. A description of the larger budget pressures are set out below.
- 5.3 **Waste services** - A one-off cost pressure for £30,000 has been built into the Financial Strategy for a specialist temporary staffing resource.
- 5.4 **Trade Waste** – Increase in disposal costs and tipping charges. There have also been legislative changes adversely affecting the services.
- 5.5 **National Insurance** - There will be increased National Insurance (NI) contributions for employers effective from 2016/17. The extra cost to South Hams is £155,000 annually.
- 5.6 The Summer Budget 2015 also announced plans for a National Living wage for the over 25s of £7.20 per hour from 2016/17 increasing to £9.00 per hour by 2020. The cost of introduction has been assessed as £25,000.
- 5.7 **Dartmouth Lower Ferry** – Members will recall that the Ferry was out of action until 20th May 2013 for essential slipway maintenance (Minute E.15/12 refers). The indications are that not all the business lost during this period has returned and a shortfall in income of £100,000 is forecast. In 2014/15 the actual income achieved was £813,000 against an income budget of £907,000. The income target for 2016/17 has been reduced by £100,000 to reflect the actual position.
- 5.8 **Homelessness Grant** – The Council currently receives £80,000 per annum in a Homelessness grant. It is possible that this will cease in 2016/17 and therefore provision has been made within the budget for the Council to continue with homelessness prevention activity.
- 5.9 **Trading company** – The Council will need to engage specialist advice for legal and financial services in order to set up a trading company. Actuarial advice will also need to be taken from the Devon Pension Fund's actuaries. A cost pressure of £75,000 has been included within the modelling.

SAVINGS AND INCOME GENERATION

- 5.10 **Transformation Programme 2018 (T18)** – There is a separate report on the Executive agenda regarding the budget monitoring position of the transformation programme.

CHANGES SINCE THE LAST BUDGET REPORT

- 5.11 The Medium Term Financial Strategy was considered by the Executive on 15 October 2015. This showed a budget surplus of £1,138,232 for 2016/17. The figure has now changed to £753,232. The changes are as below:-

<i>Budget Surplus reported in the Medium Term Financial Strategy on 15th October 2015 – Items adjusted for:</i>	<i>£(1,138,232)</i>
Additional savings from Housing benefit recoveries	£(30,000)
Fees and Charges report (as per report to the Overview and Scrutiny Panel on 19 November 2015)	£(5,000)
Additional cost pressure regarding trade waste (in addition to the £130,000 built in to 2016/17)	£30,000
Reduce the recycling income budget for 2016/17 to reflect market conditions.	£160,000
Increase the salaries budget for Environmental Services – manual worker's	£100,000
Reverse the reduction in the running costs for Follaton House built in to the 2015/16 Budget	£50,000
Additional cost pressure regarding the Waste Transfer Station haulage costs	£50,000
Additional cost pressure for planning legal fees	£30,000
<i>Revised Budget Surplus reported in the Budget Report on 10th December 2015</i>	<i>£(753,232)</i>

- 5.12 ***The items identified in the table above are as a result of the Management Actions identified in the Revenue Budget Monitoring report for 2015/16. This is a separate report on this Executive agenda.*** For example, if an overspend against the budget has been identified for 2015/16 and this is a recurring annual pressure, then a cost pressure has been built into the 2016/17 budget process, to align the future budget to the actual position. Similarly the budget for 2016/17 has been adjusted for any recurring savings identified.

6. OVERALL POSITION – BUDGET (SURPLUS)/GAP

6.1 **Appendix B1** illustrates the overall financial forecast for the forthcoming five years. Although the Council's Net Budget is predicted to be in the region of £8.75 million in 2016/17, the Gross Expenditure of the Council is around £42 million.

6.2 A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by 1.99% (**shown in Appendix B1**). A 1% increase in Council Tax generates an extra £53,000 in extra income per annum.

6.3 The following table illustrates the predicted budget (surplus)/gap from 2016/17 onwards for the District Council as shown in Appendix B1:

	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Annual budget (surplus)/gap	(753,232) surplus	13,027 gap	489,802 gap	456,310 gap	670,164 gap
TOTAL BUDGET SURPLUS OVER THE FIVE YEARS TO 2020/21					£876,071

6.4 These budget gaps are the position based on two key assumptions:

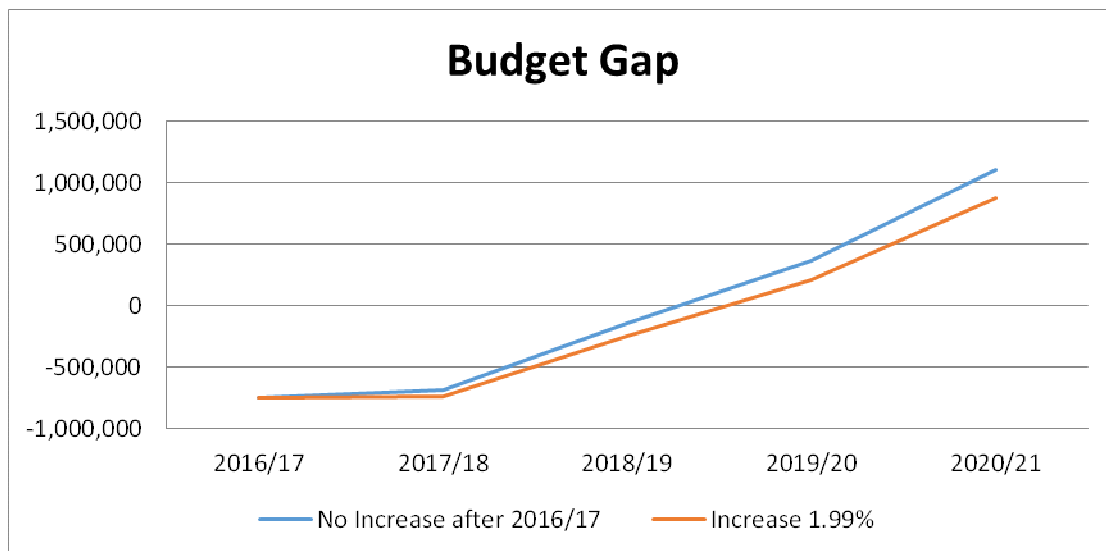
- That a contribution from New Homes Bonus of £500,000 per annum will continue to fund the Revenue Base Budget
- That the budget surplus in 2016/17 is treated as a one-off surplus and is reinvested in one-off items. This could be a one-off investment into a priority area, investment in a specific project or a one-off contribution to Earmarked Reserves or the Capital Programme. (If the £753,232 budget surplus in 16/17 is reinvested in annual year on year priorities/commitments, then this would increase the budget gap in 2017/18 to £766,259)

6.5 The report sets out an anticipated budget surplus for 2016-2017 of **£753,232** if Council Tax is increased by 1.99% annually as per Appendix B1. The budget surplus in 2016/17 is mainly as a result of the full amount of savings from the Council's Transformation Programme being realised by 2016/17. In 2017/18 the Council moves into the position of having a budget gap again (of £13,027). Section 6.3 sets out the future years' budget gaps.

6.6 The graph below compares the Budget Gap if council tax is increased by 1.99% for 2016-17 only and is then frozen for future years (the higher line in blue) as per Appendix B2, to the Budget Gap if council tax is increased by 1.99% annually (the lower line in red) as per Appendix B1.

Cummulative Budget (Surplus)/Gap – as per Appendices B1 and B2

	2016/17	2017/18	2018/19	2019/20	2020/21
No Increase after 2016/17	(753,232)	(688,984)	(144,647)	369,690	1,101,027
Increase 1.99% annually	(753,232)	(740,205)	(250,403)	205,907	876,071



6.7 **Members' Budget Workshop** – A Members' Budget Workshop was held to give all Members the opportunity to influence and shape the budget setting process. The outcome of the meeting is attached at Appendix D.

6.8 Work is currently being undertaken within the Finance team to redesign the budgets for 2016-17 into the Council's new T18 structure of Strategy and Commissioning, Customer First, Commercial Services and Support Services. Further detailed work will be carried out on this before the January 2016 budget report. This is to ensure that the split of the budgets between the four areas is correct.

- 6.9 The finance team are also undertaking a project to harmonise all of the codes used on both Councils' finance systems so that the codes are the same and prefixed with either a 'S' for South Hams or a 'W' for West Devon. For example the code for car parking could be S100 in South Hams and W100 in West Devon. This will assist self serve for budget holders and also assist joint reporting across both Councils where this is appropriate.

7 NEW HOMES BONUS (NHB)

- 7.1 This grant was introduced in 2011/12 and provides incentives for local authorities and local communities to be supportive of housing growth. It is not ring fenced and can be spent on anything. New Homes Bonus is funded through a combination of central government funding (£250m per annum) and top-sliced Revenue Support Grant (the balance each year).
- 7.2 On 29 November 2012, the Community Life & Housing Scrutiny Panel considered a report on the New Homes Bonus Strategy. It was resolved (CLH. 27/12) that the New Homes Bonus funding was used to support the following categories:
- To finance housing capital projects
 - Community re-investment projects
 - Funding for the revenue base budget
 - Community grants and projects
 - To provide funding for the overall Capital Programme
 - To make a provision for a share of the New Homes Bonus for the Dartmoor National Park when appropriate

Members have approved the following use of the New Homes Bonus to date:

Year	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Grant received	297,567	826,317	1,026,018	1,365,325	1,693,533
This is how the New Homes Bonus has been used:					
Housing Capital Projects		300,000	460,000	460,000	464,000
Community Reinvestment Projects			153,900	153,900	153,900
To fund the Revenue Base Budget	100,000	100,000	100,000	564,043	959,126
Community Grants (CAB Outreach worker)			10,000	10,000	10,000
Funding for the overall capital programme	197,567	419,567			
Dartmoor National Park		6,750		17,277	5,779
Transferred to the Capital Programme Reserve			302,118	160,105	100,728
TOTAL	297,567	826,317	1,026,018	1,365,325	1,693,533

7.3 An estimate of New Homes Bonus for the next five years is shown below *(This is assuming there is no policy change on New Homes Bonus – any policy change will change all of these figures):*

NHB Forecast (£)	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
2011/12 actual allocation	297,567	-	-	-	-
2012/13 actual allocation	528,750	528,750	-	-	-
2013/14 actual allocation	199,701	199,701	199,701		
2014/15 actual allocation	339,307	339,307	339,307	339,307	
2015/16 actual allocation	328,208	328,208	328,208	328,208	328,208
2016/17 forecast allocation	251,680	251,680	251,680	251,680	251,680
2017/18 forecast allocation		251,680	251,680	251,680	251,680
2018/19 forecast allocation			251,680	251,680	251,680
2019/20 forecast allocation				251,680	251,680
2020/21 forecast allocation					251,680
TOTAL	1,945,213	1,899,326	1,622,256	1,674,235	1,586,608
Possible uses of the New Homes Bonus (for illustration purposes only):					
To fund Housing Capital Projects	464,000	464,000	464,000	464,000	464,000
To fund Community Re-investment	153,900	153,900	153,900	153,900	153,900
CAB Outreach Worker	10,000	10,000	10,000	10,000	10,000
Existing funding of the Revenue Budget	500,000	500,000	500,000	500,000	500,000
Dartmoor National Park Capital Programme Reserve	TBA	TBA	TBA	TBA	TBA
Balance (uncommitted)	817,313	771,426	494,356	546,335	458,708

Note 1 – The forecast allocation for future years is based on an extra 200 Band properties per annum increase. The development at Sherford could see an extra 350 properties per annum being built which would annually attract New Homes Bonus of £410,000 for six years. The NHB would be split between Plymouth City Council and South Hams District Council, depending on in which boundary the properties were built and in which financial year.

- 7.4 If New Homes Bonus were to be used as outlined in 7.3 above, this would mean that there would potentially be £817,313 of NHB which is uncommitted in 2016/2017.
- 7.5 The government is **to consult on reforms** to the New Homes Bonus **in December** with the finance settlement, including means of ‘sharpening’ the incentive to reward communities for additional homes and **reducing the length of payments from 6 years to 4 years**. The consultation on NHB will include a preferred option for savings of at least £800 million, which can be used for social care. This will include consideration of proposals to introduce a floor, which is intended to ensure that no authority loses out disproportionately.
- 7.6 It is not yet known how soon any new policy change on New Homes Bonus would come in. If the consultation document comes out in December and the consultation period is say 6 weeks, in theory there would be time for any changes to come in by April 2016.
- 7.7 Unfortunately if the last two years’ allocations of NHB dropped off, this would have a significant financial impact for South Hams. E.g. if the policy change came in for April 2016, this could mean a reduction in the NHB received in 2016/17 from £1.9 million down to £1.1 million – a reduction of £820,000. This would mean all of the ‘uncommitted’ NHB projected for 2016/17 of £820,000 would be reduced to Nil. The 2017/18 allocation would be reduced by £730,000 and so on.
- 7.8 This is assuming the 4 years allocations comes in straight away and applies retrospectively (e.g. this assumes that in 2016/17 the Council would not receive the £297,567 allocation for 2011/12 and the £528,750 allocation for 2012/13). We do not know this is the case until the consultation comes out to explain how New Homes Bonus will work.
- 7.9 **Dartmoor National Park (DNP)** – On an annual basis Dartmoor National Park request a share of the New Homes Bonus to reflect new homes delivered within the park. The money is used to support a local community fund and, for example, joint work through the rural housing enabler. Members considered this as part of the Budget process for 2015/16.
- 8. CAPITAL PROGRAMME 2016/17**
- 8.1 There is a separate report on this Executive agenda which contains the Capital Programme proposals for 2016/17. The proposals total £1,765,000.
- 8.2 The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.

8.3 As part of the budget proposals, it is necessary to review the level and phasing of schemes within the Capital Programme. It is important that the programme is matched with available resources and the impact on reserves and the revenue budget is fully assessed.

8.4 **Prudential Borrowing** - The Council will consider the use of prudential borrowing to support capital investment to deliver services and will ensure that the full costs of borrowing are taken into account when investment decisions are made. The Council is currently procuring a new leisure contract to commence in 2016/17. Service delivery options requiring capital investment will therefore be explored using this model to provide the Council with the fullest range of future choice.

9. EARMARKED AND UNEARMARKED RESERVES

9.1 The Council's Net Budget is £8.8 million in 2015/16. It is still recommended to retain the same policy of a maintaining a minimum level of Unearmarked Reserves of £1.5 million. The summary below shows the projected position at 31 March 2016:

The Use of Unearmarked Revenue Reserves	2015/16 £'000
Balance B/fwd 1.4.2015	1,741
Revenue Outturn Overspend for 2015-16	(70)
Unearmarked revenue reserves at 31.3.2016	1,671
Earmarked revenue reserves at 31.3.2016 (see Appendix C1)	3,615

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

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

9.3 The Unearmarked Reserves (General Fund) balance of £1.7 million stands above the minimum balance of £1.5 million and acts as a safeguard against unforeseen financial pressures.

- 9.4 **Specific Earmarked Reserves** - The level and commitments for each reserve are reviewed 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). A schedule of predicted Earmarked Reserves for 15/16 is shown in Appendix C1. Earmarked Reserves are predicted to be £3,615,000 at the end of March 2016.

10 OTHER BUDGET ITEMS

- 10.1 **Members' Budget Workshop** – Attached in **Appendix D** is a summary of the outcomes from the workshop.
- 10.2 **Council Tax Reduction Scheme** – Following Council Tax Benefit being abolished, Council approved the implementation of a cost neutral local Council Tax Reduction Scheme for 2014/15.
- 10.3 This scheme is a discount scheme rather than a state welfare benefit and means that working age claimants will pay a minimum of 20% towards their Council Tax bill. There will be an exception hardship fund to help those claimants experiencing severe financial difficulties.
- 10.4 These changes have the effect of reducing the council tax base not only for the District Council, but also for Town and Parish Councils, Devon County Council, The Police and Crime Commission and Devon and Somerset Fire Authority. Reductions in the Council Tax Base adversely affect a local authority's ability to raise income from Council Tax.
- 10.5 The Government is providing financial support for local authorities (Council Tax Support Grant) to assist them in dealing with the effects of the benefit changes on their Council Tax Base.
- 10.6 In the December 2013 Statement, the Minister reminded local authorities that within the funding for Council Tax Support Schemes there is an element to specifically reflect reductions in the parish tax base resulting from the introduction of Localised Support for Council Tax. He confirms that the funding is not separately identified because it is not ring-fenced. There is recognition that as caseloads change and schemes evolve, the amount that different parishes need will also change. There is also an expectation by the Government that billing authorities will continue to pass on support to town and parish councils to help mitigate any reduction in their tax base due to the local Council Tax support scheme.

- 10.7 It is therefore considered appropriate that the Council Tax Support Grant to Town and Parish Councils should reduce in line with the reduction that the District Council is experiencing with its Settlement Funding Assessment (SFA). The Council approved a grant distribution of £112,827 for 2015-16. It is estimated that the Council's SFA (Business Rates and Revenue Support Grant) will decrease by 9.9% in 2016-17 (see Appendix B).
- 10.8 A letter has been sent to all Town and Parish Councils advising of a 9.9% reduction to their grant for 2016-17 (from £112,827 to £101,658). This is an overall reduction of **£11,169**. **Appendix E** illustrates the effect for each Town and Parish.
- 10.9 **Devolution** - The government intends to support towns and counties to play their part in growing the economy, offering them the opportunity to agree devolution deals, and providing local people with the levers they need to boost growth. The government is working with towns and counties to make these deals happen.
- 10.10 All Devon and Somerset Councils have signed a Statement of Intent to look at working up a Devolution offering to Government. The Government, spearheaded by the Chancellor, has made clear its intention to make devolution 'deals' a major policy theme for the new Parliament.
- 10.11 **Income generation opportunities and the Council's asset management strategy** - Efficient and effective management of the Council's commercial property portfolio is inextricably linked to the Council's response to expected reduction in funding support and increasing the revenue from commercial property will help to bridge any future funding gaps. Receipts from all asset disposals be used to reinvest in the commercial property estate.
- 10.12 The commercial property portfolio is run as a commercial enterprise so as to generate a revenue stream for the Council. It is the aim of the Council to continue to run the commercial estate and over time, to increase its size, by developing out sites in its ownership, as well as through the purchase of new land where required. The development programme will form part of the capital programme, which is predicated on robust and compelling business cases. Whenever financially viable, the Council will consider and deploy renewable energy / environmentally friendly solutions and technologies.

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

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

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

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

10.16 **Working in partnership** - Opportunities for working in collaboration and partnership and different ways of working will be identified and developed where this will support the delivery of the Council's outcomes and improve service efficiency and delivery. This will include development of trading opportunities and business models and exploiting external funding opportunities.

11. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Executive is responsible for recommending to Council the budgetary framework. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of this MTFs is evidence that the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>
Financial	Y	The financial implications are set out in Sections 1.6 to 1.7 of the Executive Summary.
Risk	Y	The financial risks are as set out in the report and in Appendix F.

Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Budget pressures and savings

Appendix B1 – Modelling of council tax increasing by 1.99%

Appendix B2 – Modelling of council tax increase of 1.99% in 16/17 and then freezing council tax thereafter

Appendix C1 – Reserves

Appendix C2 – Transfers to/from reserves

Appendix D – Summary of the Budget Workshop held 30th September 15

Appendix E – Town and Parish Council Tax Support Grant allocation

Appendix F – Sensitivity analysis and risk analysis

Approval and clearance of report

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

BUDGET PRESSURES, SAVINGS AND INCOME GENERATION

APPENDIX A

SOUTH HAMS DISTRICT COUNCIL

BUDGET PRESSURES

	Yr1 2016/17 £	Yr2 2017/18 £	Yr3 2018/19 £	Yr4 2019/20 £	Yr5 2020/21 £
Specialist resource - Waste and Cleansing options review and delivery (see 5.3) - one off	30,000	(30,000)			
Reduction in trade waste tipping fees etc (see 5.11)	160,000				
National Insurance - (see 5.5)	155,000				
National Living Wage (see 5.6)	25,000				
Dartmouth Ferry - review of income target (see 5.7)	100,000				
Car Parks - review of income target	50,000				
Recycling income - review of income target (see 5.11)	160,000				
Inflation on goods and services (see 2.2)	395,000	395,000	375,000	375,000	360,000
Salaries budget for Environmental Services manual workers (see 5.11)	100,000				
Reduction in Housing Benefit administration subsidy and Council Tax Support Admin Grant	50,000	50,000	50,000	50,000	50,000
Waste Transfer Station haulage costs (see 5.11)	50,000				
Salaries - provision for pay award at 1% (see 2.1)	90,000	90,000	90,000	90,000	90,000
Triennial Pension revaluation	0	125,000	125,000	125,000	75,000
Reversal of vacancy provision	100,000				
Reduction in the Homelessness Grant (see 5.8)	80,000				
Trading company - specialist advice (see 5.9) - one off	75,000	(75,000)			
Planning legal fees (see 5.11)	30,000				
TOTAL IDENTIFIED BUDGET PRESSURES	1,650,000	555,000	640,000	640,000	575,000

SOUTH HAMS DISTRICT COUNCIL

	Yr1 2016/17 £	Yr2 2017/18 £	Yr3 2018/19 £	Yr4 2019/20 £	Yr5 2020/21 £
Contribution to T18 Strategic Change Earmarked Reserve					
Transformation Project (T18) - Approved at 11 December 2014 Council (One-off investment costs included for completeness) <i>Contribution to Strategic Change Reserve to meet redundancy and pension costs (offset by savings above)</i> <i>Net contribution to T18 Reserve to meet other non-recurring costs (offset by savings above)</i>	219,000	66,000	(75,000)	0	0
Total Contribution to T18 Strategic Change Earmarked Reserve	219,000	66,000	(75,000)	0	0

SAVINGS AND INCOME GENERATION IDENTIFIED

	Yr1 2016/17 £	Yr2 2017/18 £	Yr3 2018/19 £	Yr4 2019/20 £	Yr5 2020/21 £
Income from fees and charges (see 5.11)	5,000				
Additional Housing Benefit recoveries (see 5.11)	30,000				
Additional investment income (see 2.3)	50,000	50,000	100,000	50,000	50,000
TOTAL SAVINGS AND INCOME GENERATION (excluding T18 savings)	85,000	50,000	100,000	50,000	50,000

Reduced running costs at Follaton and additional leasing income	23,000	53,000	56,000	0	0
Transformation Project (T18) savings - Approved at 11 December 2014 Council report (Appendix C) - £1,089,000 staff savings (30% of current staffing levels) and £30,000 other staff saving costs (ancillary costs) - Note the £1.192 million savings in 2016/17 are in addition to £1.95 million of savings already built into the 2015/16 Base Budget as shown.	1,119,000				
TOTAL SAVINGS AND INCOME GENERATION (including T18 savings)	1,227,000	103,000	156,000	50,000	50,000

Line No.	Example B1 - Council Tax is increased by 1.99% each year Modelling for the financial years 2016/17 onwards	Base 2015/16 £	Yr1 2016/17 £	Yr2 2017/18 £	Yr3 2018/19 £	Yr4 2019/20 £	Yr5 2020/21 £
1	Base budget brought forward (line 4/line11)	9,027,727	8,839,401	8,753,759	8,505,499	8,424,696	8,558,385
2	Budget pressures (as per Appendix A)	2,513,000	1,650,000	555,000	640,000	640,000	575,000
3	Savings already identified (as per Appendix A)	(2,306,326)	(1,227,000)	(103,000)	(156,000)	(50,000)	(50,000)
4	Additional requirement from NHB in 15/16	(395,000)					
5	Reverse T18 contributions to reserves		(1,950,000)				
6	Reduce New Homes Bonus contribution from £969,126 to £500,000		469,126				
7	Contribution to T18 Strategic Change Reserve		219,000	66,000	(75,000)		
8	Reversal of budget surplus in the following year (assumes budget surpluses are only used to fund one-off investment in the year that they occur and that they do not permanently increase the base budget)			(753,232)			
9	Projected Net Expenditure:	8,839,401	8,000,527	8,518,527	8,914,499	9,014,696	9,083,385
	Funded By:-						
10	Council Tax income - Modelling a 1.99% increase in council tax each year (Taxbase 15/16 = 36,606.88 Band D Equivalent properties)	5,323,372	5,458,970	5,597,711	5,739,908	5,885,597	6,034,433
11	Council Tax Freeze Grant	57,789	57,789	57,789	57,789	57,789	57,789
12	Collection Fund Surplus	100,000	210,000	80,000	80,000	80,000	80,000
13	Revenue Support Grant	1,406,240	1,032,000	719,000	429,000	350,000	0
14	Localised Business Rates	1,952,000	1,995,000	2,051,000	2,118,000	2,185,000	2,241,000
15	Total Projected Funding Sources	8,839,401	8,753,759	8,505,500	8,424,697	8,558,386	8,413,222
	Budget (surplus)/ gap per year						
16	(Projected Expenditure line 9 - Projected Funding line 15)	0	-753,232	13,027	489,802	456,310	670,164

Cumulative Budget (Surplus)/Gap - There is a budget surplus in 2016/17 and budget gaps in the remaining years.	0	-753,232	-740,205	-250,403	205,907	876,071
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Modelling Assumptions:	An assumption of an additional 200 Band D equivalent properties per year has been included in the TaxBase and modelling above for 2016/17 onwards					
Council Tax (Band D) (an increase of 1.99% has been modelled)	145.42	148.31	151.26	154.27	157.33	160.46
Council TaxBase	36,606.88	36,806.88	37,006.88	37,206.88	37,406.88	37,606.88

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Example B2 - Council Tax is increased by 1.99% in 2016/17							
Line	and then frozen thereafter	Base	Yr1	Yr2	Yr3	Yr4	Yr5
No.	Modelling for the financial years 2016/17 onwards	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
		£	£	£	£	£	£
1	Base budget brought forward (line 4/line11)	9,027,727	8,839,401	8,753,759	8,454,278	8,318,940	8,394,602
2	Budget pressures (as per Appendix A)	2,513,000	1,650,000	555,000	640,000	640,000	575,000
3	Savings already identified (as per Appendix A)	(2,306,326)	(1,227,000)	(103,000)	(156,000)	(50,000)	(50,000)
4	Additional requirement from NHB in 15/16	(395,000)					
5	Reverse T18 contributions to reserves		(1,950,000)				
6	Reduce New Homes Bonus contribution from £969,126 to £500,000		469,126				
7	Contribution to T18 Strategic Change Reserve		219,000	66,000	(75,000)		
8	Reversal of budget surplus in the following year (assumes budget surpluses are only used to fund one-off investment in the year that they occur and that they do not permanently increase the base budget)			(753,232)			
9	Projected Net Expenditure:	8,839,401	8,000,527	8,518,527	8,863,278	8,908,940	8,919,602
	Funded By:-						
	Council Tax income - Modelling a 1.99% increase in council tax for 2016/17 only and frozen thereafter (Taxbase 15/16 = 36,606.88 Band D Equivalent properties)	5,323,372	5,458,970	5,488,490	5,518,152	5,547,814	5,577,476
10	Council Tax Freeze Grant (assumes a freeze grant of 1% is built into 17/18 onwards and cummulatively thereafter)	57,789	57,789	115,789	173,789	231,789	289,789
11	Collection Fund Surplus	100,000	210,000	80,000	80,000	80,000	80,000
12	Revenue Support Grant	1,406,240	1,032,000	719,000	429,000	350,000	0
13	Localised Business Rates	1,952,000	1,995,000	2,051,000	2,118,000	2,185,000	2,241,000
14	Total Projected Funding Sources	8,839,401	8,753,759	8,454,279	8,318,941	8,394,603	8,188,265
	Budget (surplus)/ gap per year						
15	16 (Projected Expenditure line 9 - Projected Funding line 15)	0	-753,232	64,248	544,337	514,337	731,337

Cumulative Budget (Surplus)/Gap - There is a budget surplus in 2016/17 and budget gaps in the remaining years.	0	-753,232	-688,984	-144,647	369,690	1,101,027
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Modelling Assumptions:	An assumption of an additional 200 Band D equivalent properties per year has been included in the TaxBase and modelling above for 2016/17 onwards					
Council Tax (Band D) (an increase of 1.99% has been modelled)	145.42	148.31	148.31	148.31	148.31	148.31
Council TaxBase	36,606.88	36,806.88	37,006.88	37,206.88	37,406.88	37,606.88

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RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)					
			Opening balance	Projected Balance	
		2015/16 Contribution	1 April 2015	31 March 16	Comments
		£000	£000	£000	
EARMARKED RESERVES					
Code	Specific Reserves - General Fund				
0631	Capital Programme	182	129	740	Reflects repayment of temporary borrowing from this reserve to finance T18 initial investment costs in 2014/15
0633	Revenue Grants		393	393	Comprises grants with no repayment conditions created as a result of International Financial Reporting Standards (IFRS)
0635	Affordable Housing		453	84	Due to Capital Programme commitments
0638	Renovation Grant Reserve		1	1	Comprises proceeds from repayments
0639	New Homes Bonus		184	154	Allocation carried forward is for Community Reinvestment projects for 15/16
0641	Business Rates Retention		304	0	Will be used to offset the balance on the Collection Fund. This relates to a timing issue on the accounting adjustments required for the localisation of business rates. £100K pooling gain to be used to finance the postponement to 2016 of the waste round review and other changes.
0645	Strategic Issues		133	0	£75K used to finance the postponement to 2016 of the waste round review and release of the uncommitted balance of £50K to the general fund (4.2).
0650	Community Parks and Open Spaces	17	108	122	
0660	Pension Fund Strain	99	0	0	There is a separate T18 strategic change reserve for pension strains arising from the transformation programme.
0665	Repairs & Maintenance	55	369	371	
0667	Marine Infrastructure		19	47	A new reserve for the maintenance of marine assets
0670	Land and Development		184	184	
0675	Ferry Repairs & Renewals	87	263	350	
0680	Economic Initiatives		120	103	N.B. £82k earmarked for RDP Local Action 2015/16 to 2020/21. E21/14 refers
0685	Vehicles & Plant Renewals	541	1,735	49	Due to programmed vehicle replacements in 2015/16.
0690	Pay & Display Equipment Renewals	21	40	61	
0695	On-Street Parking		44	44	
0696	T18 Investment Reserve	578	0	0	To fund T18 one-off investment costs e.g. ICT costs
0698	Strategic Change Reserve (T18)	1,372	0	0	A new reserve set up to fund T18 redundancy and pension costs.
0700	Print Room Equipment		76	26	£50K can be released back to the general fund (see 4.3)
0705	ICT Development		203	134	
0710	Sustainable Waste Management		72	0	Recycling and Waste Review
0720	District Elections	10	68	78	
0725	Beach Safety		14	14	
0730	Planning Policy & Major Developments		596	348	Includes a potential commitment to this reserve of £75K for Our Plan and £150K towards funding transition costs (see 4.2)
0735	Building Control		271	271	
0740	Section 106 Deposits		41	41	Comprises deposits with no repayment conditions - created as a result of IFRS
0830	Members Sustainable Community Locality		7	0	
Sub Total		2,962	5,827	3,615	
GENERAL RESERVES					
0765	General Fund Balance (Unearmarked Reserves - Accumulated Surplus)		1,741	1,671	The balance will reduce by the predicted overspend in 2015/16 of £70K - see Executive Summary of the covering report.

TOTAL REVENUE RESERVES		7,568	5,286	
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ANALYSIS OF CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES

Estimate 2015/16			Estimate 2016/17	
To £	(From) £		To £	(From) £
181,600		Capital Programme	181,600	
16,900		Community Parks & Open Spaces	16,900	
10,000		District Elections	10,000	
87,000		Ferry major repairs & renewals	87,000	
	(969,126)	New Homes Bonus		(500,000)
20,800		Pay & Display Equipment	20,800	
99,000		Pension Fund Strain Payments	99,000	
55,000		Repairs and maintenance	55,000	
1,372,000		Strategic Change Reserve	219,000	
	(7,000)	Strategic Issues		(7,000)
578,000		Transformation (T18) Reserve		
541,000		Vehicles & Plant Renewals	541,000	
2,000		Interest credited to reserves	2,000	
2,963,300	(976,126)	TOTALS	1,232,300	(507,000)
1,987,174		GRAND TOTAL	725,300	

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South Hams Budget Setting Workshop – 30th September 2015

The Executive Director (Strategy & Commissioning), Steve Jordan facilitated the session and spoke about the Medium Term Financial Strategy, the potential effects of devolution and the need for income generation to meet the predicted budget pressures. A key message was that despite the successful ongoing implementation of the T18 Transformation Programme, the Council still needs to make decisions and changes in order to be fully self-sufficient and financially sustainable.

The Finance Community of Practice Lead, Lisa Buckle then shared a presentation about the forecast gap between income and expenditure as a result of reduced Central Government funded Revenue Support Grant and the possible financial effects of the Government's Spending Review (2015).

Finally, the Business Development Group Manager, Darren Arulvasagam shared a presentation about the Business Development / Income Generation agenda and the introduction of the refreshed Asset Management Strategy. The latter is to be discussed at a meeting of the South Hams Executive on 15 October and then possibly brought to a Full Council meeting later this year.

Feedback from Strategic Priorities – Workshop session (1)

After a brief discussion around the Strategic Priorities set out in "Our Plan" – an interactive session was held, where the Members in attendance split into groups to look at the strategic priorities and to list the top three principles/objectives or areas which they would like to see taken forward in the Budget process for future years (mainly looking longer term at years 2017/18 onwards (Year 2 of the MTFS)).

The exercise yielded a number of outputs. These priorities / principles have been categorised into broad strategic areas as shown below:

The Economy – The Council needs to create conditions whereby South Hams is an attractive place to do business, with the Environment being integral to the Economy. The Council should seek to provide business support, where possible focusing on highly skilled jobs. Members cited the need for joined-up-thinking and the need to link with commercial firms to provide training opportunities. A corporate approach is integral to it. To look at the Council's economic development policies and provide a business support package. Joined up thinking with the LEP (Local Enterprise Partnership). To be supportive of innovation and partnerships.

Affordable Housing – To invest in engaging some expertise to advise on policy and different ways of doing things to deliver the best outcomes for affordable housing. Procure advice on different options and methods of delivery. Find a more clever way of delivering outcomes for affordable housing i.e. not just spending money on affordable housing.

Asset Management – effective disposal/management - all of equal importance.

Statutory “Plus” – Provide more than statutory services from a point of principle and commitment to the community.

Growth – Develop prime locations and strategically partner with Private Sector or Registered Providers to develop our land or land that we acquire, with focus on truly affordable housing and employment units (specifically starter units). It was recommended that the Council refreshes its affordable / social housing policies, provides a package of options and develops a strategy to deliver more homes itself (within constraints and taking account of potential risks). A review of investments was suggested and the potential to generate rental income from homes and commercial property.

Save – Seek efficiency savings over and above T18; Consider outsourcing services where it is cost effective. Consider how we can *save* our communities, heritage and natural environments e.g. renewable energy projects. This was referred to by other groups as making the District attractive to businesses thereby increasing the availability of jobs.

Charges – Follow an Easyjet model; i.e. basic services to satisfy statutory requirements and consider charging for ‘added-value’ items. Set up a trading company (alternative service delivery methods were mentioned), along with the need to make charges profitable, not just a means to reduce the cost to the community.

Feedback from Strategic Priorities - Workshop session (2)

The final interactive session enabled the same groups of Members to set some principles/proposals which they would like the Executive to consider as part of the 2016/17 Budget Setting Process (Year 1 of the Medium Term Financial Strategy). There was some significant correlation between the responses.

The overriding message was that the budget for the forthcoming year should focus on providing stability / consolidation. i.e. spend now to ensure no backlogs and to rid service of focusing and satisfying failure demand.

Increase Council Tax by the maximum allowable percentage *(with lobbying ahead of that maximum percentage being sent to see if there could be no upper limit set before a referendum is triggered).*

This measure would increase the base budget for ensuing years and protect the delivery of services and the Council’s financial resilience.

New Homes Bonus(NHB) – Use more NHB to fund Affordable Housing Capital Build with smaller sums to support the revenue budget if required. Deliver on Affordable Housing.

Set up an Innovations Fund – potentially to support the viability of a Trading Company and innovation.

Short term injection of additional investment into some services e.g. the planning service, to clear temporary service backlogs.

Freeze Car Parking Charges

Line by Line Analysis of the budget to drive out efficiencies/ Focus on delivering efficiencies beyond staffing

Vulnerable Groups – ensure the impact of budget proposals are assessed so that vulnerable groups are protected.

Invest in renewable energy partnerships and projects – potentially start with smaller pilots, be our own developer

Pressurise Primary Care Groups & Registered Providers to help out with the growing cost of Disabled Facilities Grants(DFGs) – to enable residents to live independently in their own homes. The Council currently has the statutory responsibility for DFGs which is a big pressure – work in partnership with others on DFGs.

Demonstrate Clear Outcomes for Customers

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South Hams District Council			APPENDIX E	
Council Tax Support Grant For Towns & Parishes				
Parish/Town	Council Tax Support Grant allocation for 2015/16	Illustrative Grant Reduction of 9.90%	Indicative Council Tax Support Grant allocation for 2016/17	
	£	£	£	
1 Ashprington	143	14	129	
2 Aveton Gifford	870	86	784	
3 Berry Pomeroy	652	65	587	
4 Bickleigh	3,335	330	3,005	
5 Bigbury	243	24	219	
6 Blackawton	659	65	594	
7 Brixton	1,059	105	954	
8 Buckfastleigh West	107	11	96	
9 Buckland-Tout-Saints	61	6	55	
10 Charleton	219	22	197	
11 Chivelstone	121	12	109	
12 Churchstow	181	18	163	
13 Cornwood	959	95	864	
14 Cornworthy	91	9	82	
15 Dartington	1,452	144	1,308	
16 Dartmouth	10,320	1,022	9,298	
17 Dean Prior	165	16	149	
18 Diptford	140	14	126	
19 Dittisham	248	25	223	
20 East Allington	697	69	628	
21 East Portlemouth	199	20	179	
22 Ermington	582	58	524	
23 Frogmore & Sherford	476	47	429	
24 Halwell & Moreleigh	231	23	208	
25 Harberton	620	61	559	
26 Harford	24	2	22	
27 Holbeton	238	24	214	
28 Holne	193	19	174	
29 Ivybridge	24,618	2,437	22,181	
30 Kingsbridge	10,410	1,031	9,379	
31 Kingston	249	25	224	
32 Kingswear	964	95	869	
33 Littlehempston	123	12	111	
34 Loddiswell	1,204	119	1,085	
35 Marlborough	927	92	835	
36 Marldon	841	83	758	
37 Modbury	1,556	154	1,402	
38 Newton & Noss	1,383	137	1,246	
39 North Huish	49	5	44	
40 Rattery	267	26	241	
41 Ringmore	90	9	81	
42 Salcombe	2,046	203	1,843	
43 Shaugh Prior	690	68	622	
44 Slapton	266	26	240	
45 South Brent	3,744	371	3,373	
46 South Huish	82	8	74	
47 South Milton	203	20	183	
48 South Pool	91	9	82	
49 Sparkwell	832	82	750	
50 Staverton	578	57	521	
51 Stoke Fleming	747	74	673	
52 Stoke Gabriel	777	77	700	
53 Stokenham	1,395	138	1,257	
54 Strete	418	41	377	
55 Thurlstone	458	45	413	
56 Totnes	30,359	3,006	27,353	
57 Ugborough	752	74	678	
58 Wembury	560	55	505	
59 West Alvington	263	26	237	
60 Woodleigh	11	1	10	
61 Yealmpton	1,589	157	1,432	
	112,827	11,169	101,658	

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

1. The predicted revenue support grant figure for 2016/17 is £1,032,000. This is a reduction of £374,000 or 27% on the current year. For 2017/18 and 2018/19 further reductions of £313,000 (30%) and £290,000(40%) have been assumed based on forecasts. A variation of 10% on the 2016/17 predicted figure for Revenue Support Grant equates to £103,200.
2. Extra business rates retention income from rates growth above the baseline funding has been assumed for the five year plan. A growth averaging £58,000 (3%) annually over the next five years has been assumed.
3. A realistic provision of £2.33 million (equating to 7.5%) has been made for business rates appeals (the gross amount payable for Business Rates is £31.2 million in 15/16). However the Council is only protected against any rates downturn or by large appeals impacting on business rates base by a safety net of 7.5% of the baseline of £1,750,214. Therefore the potential annual loss of business rates income if the Council were to be impacted adversely by large business rates appeals equates to £131,000 per annum. This would be the case until the business rates baseline is reset in a few years time. (The risk of large business rates appeals is the reason why the Council withdrew from the Devonwide business rates pool as per 3.3 of the MTFS).
4. The budget assumes approximately £7.5 million of income from fees and charges, recycling and investments. Whilst this assumption is realistic, given the position of the economy there is a risk that income could fall or be less than anticipated. A 5% reduction in income would result in a loss of £375,000.
5. The MTFS relies on proposed savings in 2016/17 of £1.227 million. The majority of these savings have been agreed as part of the Business case for the T18 Transformation Programme and are mainly from a reduction in staffing numbers being fully realised in 2016/17. A 5% increase or reduction in the savings would equate to £62,000.

6. New Homes Bonus has been modelled based on an extra 200 properties per annum increase. Each extra property attracts £1,174 (80% of £1,468). If this figure were to actually be an extra 250 properties say (an extra 50 properties), this would attract an additional £58,700 per annum for the next 6 years of New Homes Bonus.
7. Council Tax has been assumed in the MTFs to increase by 1.99% per annum. A 1% increase in council tax equates to £53,000.
8. Income from investments has been assumed to increase in line with the expected interest rate forecasts in Section 2.3 i.e. 0.75% in 2016/17 and rising to 1.5% by 2018/19. A 0.25% variation in interest rates on investment income equates to £50,000.
9. An allowance of 2% for inflation is included in the budget. Inflation costs are being managed through cost effective procurement.
10. The capital programme is funded by receipts, grants, and contributions. Realistic assumptions about these have been made for the future.
11. Known liabilities have been provided for and there are no significant outstanding claims.

Summary & conclusion

Sensitivity analysis and risks are identified above with a potential total adverse revenue effect for 2016/17 of £832,000. However, revenue reserves are recommended to be maintained at a minimum of £1.5 million. I therefore confirm the robustness of the Medium Term Financial Strategy and the adequacy of the reserves.

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

Report to: **Executive**
Date: **10 December 2015**
Title: **Capital Budget Proposals for 2016/17 to 2018/19**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

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

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

Recommendations:

The Executive resolves to request the views of the Overview and Scrutiny Panel on the Capital Programme Proposals for 2016/17, which total £1,765,000.

1. Executive summary

1.1 The report sets out the Capital Bids to the 2016/17 Capital Programme totalling £1,765,000 and a suggested way that these Bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.

- 1.2** The Council has severely limited resources, in the form of capital receipts, to fund Capital Projects in 2016/17.

Consideration needs to be given to the funding options for the 2016/17 Capital Programme. The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.

- 1.3** The Prudential Code for capital, which came into effect from 1st April 2004, replaced the previous Government regulated limits on capital expenditure and borrowing. In its place Councils now have the power to determine their own appropriate levels of capital expenditure and borrowing for capital purposes, based on the principles of affordability, prudence and sustainability.
- 1.4** The Code requires the Council, in setting its capital spending plans, to assess the impact on its revenue account and council tax levels. The Council is currently debt-free and has not undertaken any prudential borrowing for capital projects to date.
- 1.5** Section 4 demonstrates that there are sufficient capital funds in 2016/17 to fund the bids which have been submitted by project officers within the Council.

2. Background

- 2.1** The capital programme for 2015/16 was approved by Council on 12 February 2015 (66/14 and E57/14 refer).
- 2.2** A new Capital Programme is proposed for 2016/17. The Finance Community of Practice Lead invited bids for capital funding from all service areas, for a new capital programme during October 2015 on the strict proviso that all bids must go towards meeting a corporate priority. All property capital bids received would be ranked against a prescribed priority criteria set out in the bid process.
- 2.3** The submitted capital bids have now been assessed against the categories in each priority. Priority I categories include meeting corporate priorities and statutory obligations (e.g. Health and Safety, DDA etc) and other capital works required to ensure the existing Council property assets remain open.

Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives.

- 2.4** The programme outlines the principles of the projects proposed for capital expenditure and includes an estimate of predicted costs including fees. All projects will be subject to project appraisals as required under the Council's Asset Strategy.

3. Outcomes/outputs

Members are requested to note the proposals for the Capital Programme for 2016/17. Appendix A sets out the bids which total £1,765,000.

3.1 Capital Investment in Existing Property Assets

3.1.1 Batson Boat Park, Salcombe

There is a requirement to resurface the boat park at Batson for £50,000.

3.1.2 Follaton House

Various essential schemes are required at Follaton House in order to comply with statutory obligations and demonstrate good asset management:

- The lifts in both Phase 1 and Phase 2 of the building are in need of refurbishment at a cost of £20,000 each.
- Upgrading of the electrical distribution boards is required, again at a cost of £20,000.
- The existing boilers at Follaton are becoming increasingly difficult to maintain and keep operational. There is a proposal to install two new energy efficient boilers which will be more dependable and cost effective to run. The replacement cost will be £100,000.

A further scheme meets the Council's asset objectives as well as providing an opportunity to generate income:

Provision of an external platform lift to link to the Council Chamber would provide access to the first floor office accommodation. This will improve accessibility and potential for letting. The scheme would cost £75,000. The anticipated income from letting this space would be £40,000 annually, with a payback period on the initial investment of 2 years.

3.1.3 Coastal Asset Repairs

On 13 November 2014, the Economy and Environment Scrutiny Panel considered a report on managing coastal change and assets. Subsequently a five year planned programme of coastal repairs was approved in the Capital Budget Proposals for 2015/16. 2016/17 will be the second year of this programme and £300,000 is therefore included in the capital proposals.

3.2 Vehicle Replacement

Whilst the locality model was in design as part of the transformation programme a definitive travel solution for officers was not agreed. Since 'go-live' in June the service has been running with 10 fleet vehicles which were available either through vacant posts, which have now been recruited to, or through a reduction in fleet usage/spare vehicles. As a result we are now able to identify a need for 4 vehicles to cover both our front line services and service the locality team needs. These are for the South Hams area only. The cost of these vehicles is estimated to be £50,000. The vehicles are for the operational locality officers.

The use of capital fleet for coverage of locality work will provide a longer term cost saving against individual travel claims which would have been attributable to a wide range of officers working within all of the previous service departments on a casual/essential user basis in the past. There is, therefore, a revenue benefit to this capital spend. Capital investment also allows for us to brand vehicles as we require in future so they are easily identifiable to our customers.

3.3 Affordable Housing

An annual contribution of £230,000 per annum is proposed for affordable housing.

3.4 Improvement Grants (Disabled Facilities Grants)

All grants are mandatory, means tested and enable people to live independently within their own home. Adaptations range from simple stair lifts and Level Access Showers through to full extensions. A budget of £600,000 per annum for three years was approved in the Capital Budget Proposals for 2015/16. This is the second year of that approval.

In the Spending Review 2015 announcement, the Chancellor announced that there would be an extra £500m for Disabled Facilities Grants, to fund up to 85,000 housing adaptations per annum. The Council receives its Disabled Facilities Grant allocation from the Better Care Fund which is administered by Devon County Council. The Council has currently assumed that its allocation from the Better Care Fund for 2016/17 will be of the same value as that of 2015/16 (£366,000). The remaining balance of £234,000 is to be funded from New Homes Bonus.

3.5 Contingency

It is proposed that an annual contingency budget of £300,000 be included in the capital programme. This has been included to allow for variations on tendered prices to the estimates provided in the programme, where emergency works are required on assets not currently included in the programme or where additional external resources are required to deliver the programme. Use of this contingency budget will be subject to the Council's existing processes for the expenditure of capital funds.

4 FINANCING THE CAPITAL PROGRAMME

4.1 A summary of the Capital Bids received for 2016/17 is shown in Appendix A. The table below shows the recommended way that these projects are financed:-

Capital Programme 2016/17 (Appendix A bids)	£'000
Capital Programme Reserve (£740,000 available)	635
Capital Receipts	300
Better Care Grant funding towards Disabled Facilities Grants (estimated)	366
New Homes Bonus – for housing projects and disabled facilities grants	464
TOTAL	1,765

5. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>The Executive is responsible for control of the Council's capital expenditure. The Community of Practice Leads for Finance And Assets are responsible for providing Capital Monitoring reports to the Executive, detailing the latest position of the Council's Capital Programme.</p> <p>Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from the Executive.</p> <p>As set out in Part 3 of the Delegation Scheme (Section 4.12.1) the Executive will manage all the Council's land and property. In accordance with the Financial Procedure Rules, the disposal of any land and building over £50,000 in value requires the prior approval of the Executive and shall be made within the context of the Council's asset management plan</p>
Financial	Y	<p>The report sets out the Capital Bids to the 2016/17 Capital Programme totalling £1,765,000 and a suggested way that these Bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.</p> <p>Section 4 demonstrates that there are sufficient capital funds in 2016/17 to fund the bids which have been submitted by project officers within the Council.</p>

Risk	Y	<p>There is a risk that the Capital Programme does not meet the Council's corporate priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities. The mitigation is that there is a project appraisal for each proposal. This is taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period.</p> <p>The Council demonstrates that capital investment contributes to corporate priorities, provides value for money and takes account of the revenue implications of the investment. Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.</p> <p>There is regular quarterly monitoring of the Capital Programme to Members where any cost overruns are identified at an early stage</p>
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 – Summary of Capital Bids for 2016/2017

Approval and clearance of report

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

Proposed Capital Projects 2016/17 - 2018/19 - PART I							
Priority Criteria							
Statutory Obligations	1 Compliance, H&S, DDA, Corporate Priority						
	2 Essential to keep Operational Assets open						
Good Asset Management	3 Rationalise service delivery or service improvement						
	4 Generate income, capital value or reduce revenue costs						
Service	Site	Project	Lead officer	Proposed 2016/17 £'000	Proposed 2017/18 £'000	Proposed 2018/19 £'000	Priority code / notes
Car Parks	Batson Boat Park Salcombe	Resurface	CA	50			1,2
Employment Estates and other properties	Ermington Mill	Repairs to external walls, electrics and install new fire panel	CB		65		1,2
	Ermington Workshops	Units 1,5,6,7,10 wall and window repairs	CB		21		1,2
HQ	Follaton House	Refurbishment of roof to old house and replacement guttering	ST		100		1,2
		Upgrade electrical distribution boards	ST	20			1
		Refurbish Phase 1 lift	ST	20			1
		Refurbish Phase 2 lift	ST	20			1
		Install two new energy efficient boilers	ST	100			1,2
		Lift to first floor of Council Chamber	ST	75			1,4

Engineering	SHDC Coastal Assets Repairs	5 year planned programme based on marine survey	CB	300	300	300	1
Vehicles	Localities Team	4 vehicles	HD	50			2
Affordable Housing	Projects	Various	CH	230	230	230	1
Disability Facility Grants			IL	600	600	600	1
Sub Total				1,465	1,316	1,130	
Contingency				300	300	300	
Totals				1,765	1,616	1,430	

Agenda Item 10

Report to: **Executive**
Date: **10th December 2015**
Title: **Treasury Management Mid-Year Review**
Portfolio Area: **Support Services – Cllr S Wright**
Wards Affected: **ALL**
Relevant Scrutiny Committee:

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

Author: Lisa Buckle Role: **Finance Community of Practice Lead**
David Bennett **Specialist Accountant**
Contact: **Email Lisa.buckle@swdevon.gov.uk 01803 861413**

Recommendations:

1. That the report is noted.

1. Executive summary

The Council is on course to meet its budget target of £123,000. To date, the Council has outperformed the industry benchmark by 0.22%. The Council has achieved a rate of return of 0.57%, against the 7 day LIBID bid rate (LIBID) of 0.35%.

2. Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. The Council is currently debt-free.

Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council's Finance Procedure Rules require that a report be taken to the Executive three times a year on Treasury Management. The specific reporting requirements are:

- an annual treasury strategy in advance of the year (Executive 05/03/15 - E72-14)
- a mid-year treasury update report (this report)
- an annual review following the end of the year describing the activity compared to the strategy (10/09/15 - E23/15)

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members be updated on treasury management activities regularly (i.e. Treasury Management Strategy Statement (TMSS), annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

Economic Background

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US.

The Bank of England is forecasting growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth.

The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon.

Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook a review of its interest rate forecasts on 11 August after the August Bank of England Inflation Report. This latest forecast includes no change in the timing of the first increase in Bank Rate as being quarter 2 of 2016.

The significant appreciation of Sterling against the Euro in 2015 has also acted as a dampening to UK growth while sharp volatility in financial markets since the Inflation Report has depressed equity prices, raised bond prices and lowered bond yields (and PWLB rates).

The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual.

Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 21/05/15 (23/15 and Executive 05/03/15 - E72-14). It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a

minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Treasury Position at 30 September 2015

	As at 31/03/2015		As at 30/09/2015	
	Principal £	Interest %	Principal £	Interest %
Investment Type				
Call Account	400,000	0.30	-	0.30
Short Fixed	15,000,000	0.64	15,000,000	0.64
Money Market Funds	5,750,000	0.40	10,150,000	0.45
Heritable Bank	72,368	-	22,483	-
Total	21,222,368	0.57	25,172,483	0.57

The following is a list of our fixed investments at 30 September 2015:

Counterparty	Fixed to	£	Interest Rate
Barclays Bank plc	22/10/2015	5,000,000	0.63%
Nationwide BS	06/01/2016	5,000,000	0.60%
Lloyds Bank Plc	03/03/2016	5,000,000	0.70%

Icelandic Bank

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Of this amount £1,227,517 (98%) has already been repaid to the Council by the Administrators. At the 30 September 2015, the Council had £22,483 frozen in the Heritable Bank.

At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council. Heritable Bank is registered in Scotland with an address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fifteen dividends amounting to 98% of the original deposit. The administrators estimate that the return to all unsecured creditors is now between 98-100 pence in the pound.

Performance Assessment

The Council's budget for investment interest is £123,000 for 2015/16. Performance to date is on target to meet this budget.

Industry performance is judged and monitored by reference to a standard benchmark; this is the 7 day London Interbank Bid Rate (LIBID). The average weighted LIBID rate at the end of September was 0.35% which is 0.22% lower than our weighted average return of 0.57%. The reason the Council is exceeding this benchmark is due to the use of fixed term deposits.

The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating are required together with a limit of £5m per counterparty. This has resulted in only a small number of institutions in which we can invest (see Appendix A).

Compliance with Treasury Limits and Prudential Indicators

During the financial year the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The Council's Prudential Indicators for 2015/16 are detailed is shown in Appendix B.

3. Outcomes/outputs

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Statutory powers are provided by the Local Government Act 1972 Section 151 and the Local Government Act 2003
Financial	Y	2015-16 Budget for investment income is £123,000 and the Council is on target to meet or slightly exceed this. Consideration of the Annual Treasury Report forms an essential component of the Council's systems for public accountability. It also provides a platform for future investment planning
Risk	Y	The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.

		<p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/A
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	None

Supporting Information

Appendices:

Appendix A – Lending list as at 31 March 2015

Appendix B – Prudential and Treasury Indicators 2015/16

Background Papers:

Annual treasury strategy in advance of the year (Executive 05/03/15 - E72-14)

Annual review following the end of the year describing the activity compared to the strategy (10/09/15 - E23/15)

Approval and clearance of report

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

APPENDIX A

South Hams District Council lending list as at 31 March 2015.

Barclays Bank Plc
HSBC Bank plc
Lloyds Banking Group Plc: <ul style="list-style-type: none">• Bank of Scotland plc• Lloyds Bank plc
Nationwide Building Society
Royal Bank of Scotland Group Plc: <ul style="list-style-type: none">• The Royal Bank of Scotland plc• National Westminster Bank plc
Government UK Debt Management Facility
Local Authorities (as defined under Section 23 of the Local Government Act 2003)
AAA rated Money Market Funds

APPENDIX B

PRUDENTIAL INDICATORS

THE CAPITAL PRUDENTIAL INDICATORS

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Capital Expenditure.

This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual £000	Actual £000	Estimate £000	Estimate £000	Estimate £000
Total	4,040	3,554	2,875	TBA	TBA

The table below summarises the above capital expenditure plans and how these plans are being financed. Any shortfall of resources results in a funding need (borrowing).

The Council is currently debt-free and the approved Capital Programme for 2015/16 will be financed from capital receipts, capital grants and reserves. The Council is not currently undertaking any new borrowing to fund its Capital Programme from 2015/16 onwards. Therefore the Council currently has a nil borrowing requirement.

Capital Expenditure	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual £000	Actual £000	Estimate £000	Estimate £000	Estimate £000
Total	4,040	3,554	2,875	TBA	TBA
Financed by:					
Capital receipts	1,455	542	1,501		
Capital grants	1,549	1,604	366		
Reserves	1,036	1,408	1,008		
Net financing need for the year	Nil	Nil	Nil		

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). It is essentially a measure of the Council's underlying need to borrow if the figure is greater than zero. The negative figure reflects the fact that the Council is debt-free and has a nil borrowing requirement. The Council is not currently undertaking any borrowing to fund its Capital Programme from 2015/16 onwards.

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual £000	Actual £000	Estimate £000	Estimate £000	Estimate £000
Capital Financing Requirement (CFR)					
Total CFR	-98	-98	-98	-98	-98
Movement in CFR	Nil	Nil	Nil	Nil	Nil
Net borrowing requirement (the Council is debt free)	Nil	Nil	Nil	Nil	Nil

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the receipt of net investment income against the net revenue stream. It is calculated by dividing investment income and interest received by the Council's Net Budget.

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Estimate	Estimate	Estimate
Ratio of net investment income to net revenue stream. (Surplus)	1.8%	1.5%	1.4%	2.3%	2.7%

Estimates of the incremental impact of capital investment decisions on council tax

This indicator calculates the notional cost of the impact of lost investment income on the Council Tax, from spending capital resources. The Council is not undertaking any borrowing to fund its Capital Programme at present.

Incremental impact of capital investment decisions on the band D council tax (Notional cost as explained above)

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Estimate	Estimate	Estimate
	£	£	£	£	£
Future incremental impact of capital investment decisions on the band D Council tax (Notional cost)	0.3	0.21	0.20	TBA	TBA

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
Borrowing	2,000,000	2,000,000	2,000,000	2,000,000
Other long term liabilities	-	-	-	-
Total	2,000,000	2,000,000	2,000,000	2,000,000

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
Borrowing	7,000,000	7,000,000	7,000,000	7,000,000
Other long term liabilities	-	-	-	-
Total	7,000,000	7,000,000	7,000,000	7,000,000

Agenda Item 11

Report to: **Executive**
Date: **10 December 2015**
Title: **T18 Budget Monitoring report – Quarter 2
2015/2016**
Portfolio Area: **Cllr R Tucker**
Wards Affected: **All**
Relevant Scrutiny Committee: Overview and Scrutiny Panel

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

Author: **Steve Mullineaux** Role: **Support Services Group
Manager**
Lisa Buckle **Finance Community of
Practice Lead (S151 Officer)**
Contact: steve.mullineaux@swdevon.gov.uk, (01803) 861412
lisa.buckle@swdevon.gov.uk, (01803) 861413

Recommendations:

It is recommended that the Executive:

1. Notes the progress to date on the T18 Transformation Programme
2. Recommends to Council to fund the postponement (to 2016) of the round reviews and the waste review changes by using £100,000 of the Business Rates Earmarked Reserve and £75,000 of the Strategic Issues Earmarked Reserve.

1. Executive summary

- 1.1 In December 2014, the Council agreed to a revised business plan for the T18 Programme. Its aims are to deliver a new operating model in partnership with West Devon Borough Council which will ensure that both Councils can continue to deliver quality services for its customers and communities. An investment budget of £4.61 million was approved, to deliver annual recurring revenue savings of £3.3 million. The payback period for the Programme is 2.5 years.
- 1.2 The Transformation Programme has received the backing of Central Government and the Council was awarded £434,000 of Government funding towards the upfront investment costs.
- 1.3 ***The table in Appendix A shows that the predicted final spend (£4.584million) is £30,000 less than the budget of £4.614 million.*** In the 2014/15 year, £2.68 million was spent of one-off investment costs. A further £0.399 million has been spent in the period 1 April 2015 to 31st October 2015 as shown in Appendix A. *(Note - the last reported position to the Executive was on 23 July 2015, where a £42,000 underspend against the budget was reported for the T18 Programme).*
- 1.4 Appendix A details the individual budget lines and highlights the areas which are underspent and overspent. The Transformation Programme is within budget in totality and there are no areas of concern to report to Members.
- 1.5 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16. The savings were achieved in 2014/15 and the Council is on track to make the projected salary savings in 2015/16, with the exception of some short term transition costs. The Revenue Budget Monitoring report for 2015/16 is also an item on this agenda and this shows that there have been short term temporary transition (staffing and agency) costs within Environmental Services, Customer First and Support Services, totalling £125,000. This is further explained in the associated report.
- 1.6 By 2016/17, the salary savings realised will total £2.6 million. These are annual savings being delivered by the project. In addition there are predicted to be £305,000 annual savings from the Delivery Unit and £280,000 savings from Accommodation (which are predicted to rise to over £400,000 by 2018/19).

2. Background

- 2.1 South Hams District Council and West Devon Borough Council have been shared service partners since 2007. As two of the very first Councils to share a Chief Executive, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation. Shared services

(through sharing staff) has now yielded over £7.7 million in savings across the two Councils since 2007, with each Council generating ongoing savings of over £700,000 every year.

- 2.2 Having a successful track record of reducing costs through shared services whilst improving services, the two Councils approved a joint Transformation change programme in December 2013.
- 2.3 The Councils continue to face significant reductions in Central Government funding and the Transformation Programme will develop the financial resilience of the Councils and reduce the reliance on making annual budget reductions that inevitably impact on front line services.
- 2.4 The Councils are pioneering a new model for local government which is transferrable to other local authorities irrespective of the scale, acting as a catalyst for extending shared services, without undermining each participating Councils' democratic sovereignty.
- 2.5 The Council will provide its services in an entirely new way by becoming more flexible and customer focused using the latest technology. Services will be redesigned around our customers and communities and as a consequence all departmental silos will be removed. This will involve re-engineering over 400 business processes and sharing all of our corporate services and information technology systems. The first phase of the programme (Support Services) went live in September 2014. The main phase of the programme went live in June 2015, with a smaller phase due later in 2015/16.
- 2.6 At its heart, the transformation programme is one of cultural change. Peoples' lives are constantly changing and we must change with them. The radical transformation will be the most significant change in the way that the Councils work for more than 40 years. The Councils' non-manual workforce will be 30% smaller, with all staff roles changing to be flexible and responsive to the needs of the customer. Officers from different areas of the Councils will work within communities to improve the service for the customer and reduce the need for office accommodation.
- 2.7 The Transformation Programme is structured with a number of workstreams and progress on these is set out in Section 3.

3. Outcomes/outputs

HR Workstream

- 3.1 Phase 2 of the assessment process was completed in early August. In line with Phase 1b, the outcomes were very positive and a role in the new structure has been found for everyone that went through the process. 10 employees will be leaving the Councils on voluntary redundancy, with the majority leaving after the start of the new financial year in April 2016.
- 3.2 The employees currently working in Elections, Facilities Management and on the Sherford Development will be assessed in December 2015.
- 3.3 Revised contracts of employment have been issued to all employees who underwent the assessment process. The new contracts reflect the revised Travel and Subsistence Policy that was agreed after consultation with UNISON and the new agile working arrangements and terms and conditions of employment are now harmonised across the two Councils.
- 3.4 Managers have been trained in the Assessment Process so we are able to consistently assess new employees against the IMPACT Behaviour Framework.

IT Workstream

- 3.5 There is a significant amount of work to do in this work stream over the next few months and timescales are tight.
- 3.6 Housing, Waste, Environmental Health and Licencing back office applications have been migrated onto the new back office systems. The Planning and Land Charges data is currently undergoing a third round of testing. The focus over the coming weeks will be the migration and testing of the live planning and land charges data into the new planning system, with the associated documents, presenting this data to W2 and ensuring robust integration with the new GIS system and web components.
- 3.7 The migration of all documents from the old document management systems into the new W2 system is about to commence. This is a significant piece of work as there are in excess of 3 million documents.
- 3.8 The Council has taken delivery of the software which allows the integration of the new Web Portal functionality into the existing web site. This is currently being implemented and will enable us to deliver many more services on line.

- 3.9 Mobile Locality officers have taken delivery of devices to allow them to access corporate IT resources while out and about. The Council will be taking delivery of the Civica mobile application this week, which will allow us to create processes which enable staff to receive and update job tasks whilst out of the office.
- 3.10 Over 100 laptops have been provisioned for agile workers with remaining devices to be configured before end of December 2015.

Accommodation Workstream

- 3.11 The prospective tenants referenced in the last update, Public Health England, have taken up some temporary space on the first floor, ahead of the full move in date of January 2016. Conversations with a further two potential tenants are also looking positive, with one looking to move in early in the New Year also. The % of the running costs of the building offset by tenants, once PH England move in, will be up to 60%. The works to fit out the second floor are complete, and the only works going forward will be the fire alarm system in the old house.
- 3.12 The Follaton House budget is projected to be £90,000 overspent in 15/16 due to two main factors. In the T18 Business Case it was anticipated that there would be £60,000 of reduced running costs at Follaton House due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised to this extent, although work has commenced on re-procuring some of the utilities costs. In addition, it was anticipated that the letting income for Follaton House could be increased by £50,000 in 15/16. There have been delays in tenants moving in so only around £20,000 additional rent will be received in this financial year.

Finance Workstream

- 3.13 In December 2014, the Council agreed the updated business case for the Transformation Programme. An investment budget of £4.61 million has been approved, to deliver annual recurring revenue savings of £3.3 million. The payback period for the Programme is 2.5 years. The Transformation Programme has received the backing of Central Government and the Council was awarded £434,000 of Government funding towards the upfront investment costs.
- 3.14 ***The table in Appendix A shows that the predicted final spend (£4.584million) is £30,000 less than the budget of £4.614 million.*** In the 2014/15 year, £2.68 million was spent of one-off investment costs. A further £0.399 million has been spent in the period 1 April 2015 to 31st October 2015 as shown in Appendix A. (Note - the last reported position to the Executive was on 23 July 2015, where a £42,000 underspend against the budget was reported for the T18 Programme).

- 3.15 Appendix A details the individual budget lines and highlights the areas which are underspent and overspent. The Transformation Programme is within budget in totality and there are no areas of concern to report to Members.
- 3.16 The budgeted salary savings to be delivered by the project were £290,000 in 2014/15, rising to £1,375,000 in 2015/16. The savings were achieved in 2014/15 and the Council is on track to make the projected salary savings in 2015/16, with the exception of some short term transition costs. The Revenue Budget Monitoring report for 2015/16 is also an item on this agenda and this shows that there have been short term temporary transition (staffing and agency) costs within Environmental Services, Customer First and Support Services, totalling £125,000. This is further explained in the associated report.
- 3.17 By 2016/17, the salary savings realised will total £2.6 million. These are annual savings being delivered by the project. In addition there are predicted to be £305,000 annual savings from the Delivery Unit and £280,000 savings from Accommodation (which are predicted to rise to over £400,000 by 2018/19).

Customer Workstream

- 3.18 The Customer Workstream relates to the engagement required with our customers to maximise the benefits of the future operating model. These benefits are both for the customer, in terms of improved customer service and greater access to on-line services and for the Authority through reduced costs.
- 3.19 Software to deliver Customer insight information has now been purchased to help us structure our customer access methodology and training in how to use this software has been undertaken.
- 3.20 The new customer portal has been undergoing extensive testing and went live in November.
- 3.21 The plan for how the Council interacts with its customers (the channel shift plan) is under development. This plan will help us target cheaper forms of contact such as SMS and email to those people who want and can use it, rather than trying to encourage all customers to use these types of contact.

Business Processes and Transition Workstream

- 3.22 The number of staff employed by the Council has been reduced and in order to continue to deliver high quality services to the public, we need to review and re-design over 400 of our existing processes.

- 3.23 This process was broken down into a number of 'sprints' when each type of activity is mapped and analysed in detail. Where possible the new processes are built into the universal case management system "W2". These processes are now being comprehensively tested and updated for Customer Services & Website use.
- 3.24 Due to delays in functionality delivered by Civica and the knock on effect of reduced capacity due to the loss of staff after June, the go-live dates have been delayed. The table below identifies services that have now gone live and staff are using both the new case management and back office systems.

Service Area
Housing
Refuse Collection
Car Parking
Environmental Health & Licensing
Non customer Council Tax & NNDR

- 3.25 Our initial plan was to go-live with individual services in a phased approach but this puts too much strain on the service area as it requires significant time investment. A 'Dragons Den' approach was utilised to prioritise the remaining processes to deliver the maximum return on investment and spread the officer effort across more services. The following table shows planned go-live dates for the remaining high priority processes:

Service Area	Target go-live date (week commencing)
Planning	16/11/15
Council Tax	16/11/15
Remaining Waste Processes	30/11/15
Legal & Support services	21/12/15

4. Options available and consideration of risk

- 4.1 A Transformation Programme of this size and complexity clearly brings a significant number of risks which have to be carefully managed. The comprehensive Programme risks are reviewed every four weeks by the Transformation Programme Board. A report is presented to the Audit Committee on a six monthly basis of the Council's risk register and strategic risks (including those relating to the Transformation Programme).
- 4.2 One of the key risks is a reduction in service performance as staff have left and the new processes are not live in the new case management system resulting in individual services experiencing increasing customer contact and customer complaints.

5. Delivery Unit Savings – Recycling and Waste

- 5.1 There was budgeted to be £305,000 of savings from the Delivery Unit per annum from 2015/16 onwards. Included in this amount was £125,000 for recycling and waste to be gained from the rationalisation of current waste and recycling rounds and a further £50,000 to be saved through data management. At the Executive meeting on 23 July 2015, it was resolved that the round reviews and waste review changes scheduled to take place in September 2015 were postponed to take place during 2016 (Minute E.13/15 refers).
- 5.2 The financial impact of this decision is a one year delay of a saving of £175,000. This has an impact on the payback period of the T18 Transformation Programme of 3 weeks or 0.7 of a month. In 2014/15 the Council received a pooling gain of £99,428 for being in the Devon Business Rates pool. This money was not budgeted for (as at the time the Pool was new) and therefore this is additional funding. In the Executive report on 23 July, it was recommended that the £175,000 was financed by the £99,428 pooling gain (thereby using £100,000 from the Business Rates Earmarked Reserve), with a further £75,000 being financed by the Strategic Issues Earmarked Reserve.
- 5.3 The funding for the £175,000 needs to be formally approved by Full Council (as it is the use of Earmarked Reserves) and therefore this is a recommendation of this report.

6. Proposed Way Forward

To address the issues in 4.2, the senior leadership team (SLT) have instigated the following actions:

- 6.1 Phase 2 of the programme has been brought forward to enable staff to be released into their new roles and enable the recruitment to posts that have been held for staff.
- 6.2 Other agencies are being used to deliver less complex work for planning.
- 6.3 Recruitment of vacant posts is being prioritised by managers and agency staff are being used as a short term measure to backfill unfilled vacancies.
- 6.4 Outstanding workloads and customer service measures are now being reviewed on a weekly basis by SLT.
- 6.5 The website is being updated and customer services are being given key messages to reassure customers.

7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Council has delegated to the Executive to monitor the budget monitoring position of the Transformation Programme, with quarterly budget monitoring reports being presented to the Executive.</p> <p>Only Full Council can approve the use of Earmarked Reserves. There is a recommendation on this report for the use of £175,000 of Earmarked Reserves.</p>
Financial		There are no financial implications arising directly from this report. The finances of the programme are set out in Section 3.13 to 3.17.
Risk		A Transformation Programme of this size and complexity clearly brings a significant number of risks which have to be carefully managed. The comprehensive Programme risks are reviewed every four weeks by the Transformation Programme Board. A report is presented to the Audit Committee on a six monthly basis of the Council's risk register and strategic risks (including those relating to the Transformation Programme).

Comprehensive Impact Assessment Implications		
Equality and Diversity		This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
Safeguarding		This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
Community Safety, Crime and Disorder		None
Health, Safety and Wellbeing		This report updates Members on the opportunity for developing improved access to a range of Council services and meeting a wide range of customer needs.
Other implications		None

Supporting Information

Background Papers:

Council 18 December 2014 (Minute CM53/14)

Executive 5 March 2015 (Minute E.71/14)

Executive 23 July 2015 – T18 Budget Monitoring report

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

Expenditure Category	2014-2015 T18 Actual Expenditure	2015-2016 Actual Expenditure to 31 st October 2015	2015-16 Expenditure predicted for 1 st November to 31 st March 2016	Future financial years predicted expenditure (Pension strain payments)	Total (Columns A to D) (£)	Comparison to the total T18 Budget (One-off Investment costs) (£)	Notes
	(A) (£)	(B) (£)	(C) (£)	(D) (£)			
Revenue Expenditure							
ICT technology, implementation and workstream development	298,585	174,159	170,000	-	642,744	615,750	Note 1
ICT workstation costs and infrastructure	185,960	23,739	35,000	-	244,699	276,000	Note 2
Training and Accommodation	93,961	9,917	45,000	-	148,878	128,000	Note 3
Implementation and design of the future operating model	186,794	750	2,500	-	190,044	175,000	Note 4
Redundancy and Pension Strain costs	1,481,957	75,829		1,089,200	2,646,986	2,702,000	Note 5
Contingency	0	44,525	120,000	-	164,525	175,000	Note 6
Capital Expenditure							
Accommodation	338,310	70,307	45,000	-	453,617	450,000	Note 7
ICT Software	92,250	-	-	-	92,250	92,250	Note 8
TOTAL	2,677,817	399,226	417,500	1,089,200	4,583,743	4,614,000	

Summary - Apart from the pension strain costs which will be paid out in future financial years, all of the T18 expenditure (one-off investment costs) is predicted to have happened by the end of the financial year 2015-16. The table above shows that the predicted final spend (£4.584 million) is £30,000 less than the budget of £4.614 million.

Note 1 - ICT technology, implementation, workstream development and project management costs – These are the contract payments to the IT supplier for delivering the IT system and project management costs. These are predicted to be slightly over budget by £27,000 (3.8%*), mainly due to project management costs.

Note 2 - ICT workstation costs and infrastructure – This is predicted to be under budget by £31,000 as the majority of workstations and infrastructure have now been purchased.

Note 3 – Training and Accommodation – The original budget was set based on the training of all staff being provided by an external supplier. By looking at the systems that needed training on, an early decision was made to carry out more of the training in-house using a 'train the trainer' type approach rather than train all staff. This budget is forecast to be overspent by £21,000.

Note 4 - Implementation and design of the future operating model – The work with IESE has now been completed and the only remaining payment forecast is £2,500 for the Phase 2 recruitment exercise. This budget is predicted to be overspent by £15,000.

Note 5 – Redundancy and Pension Strain costs – This was the area of the budget which was the most difficult to predict. However the majority of the phases within the Transformation Programme have now gone live so the Council now has certainty of the majority of these costs. These were accrued for in the Accounts for 2014-15 and are reflected within the £1.49 million cost figure for 2014-15. In addition to this, an estimate has been made of the potential redundancy and pension strain costs arising from Phase 2. There are future years' payments of £1.09 million.

Note 6 – Contingency – The contingency budget is predicted to be utilised on transition costs of the Transformation Programme.

Note 7 – Accommodation (Follaton) – The accommodation budget is predicted to be slightly over budget by £4,000.

Note 8 – ICT Software – This is the software element of the contract payments to the IT supplier. This is treated as capital expenditure.

* This includes the software element of the IT contract.

Report to: **Executive**

Date: **10th December 2015**

Title: **Write Off Report**

Portfolio Area: **Support Services**

Wards Affected: **All**

Relevant Scrutiny Committee:

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

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

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

Recommendations:

The Executive notes that, in accordance with Financial Regulations, the s151 Officer has authorised the write-off of individual South Hams District Council debts totalling £56,007.08 as detailed in Tables 1 and 2.

The Executive approves the write off of individual debts in excess of £5,000 totalling £122,075.04, as detailed in Table 3.

1. Executive summary

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

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

This report covers the period 1st July 2015 to 30th September 2015.

2. Background

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

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

South Hams District Council's collection rates for 2014/15 were; Council Tax 98.3% & Business Rates 98.6%.

In the second quarter of 2015/16 the Council has collected £16,348,970 in Council Tax and £8,600,887 in Business Rates. The total collectable debt for 2015/16 (as at 30th September) for Council Tax is £60.1 million and for Business Rates is £32.0 million.

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

3. Outcomes/outputs

In accordance with good financial management principles the Council has, for the revenue streams detailed in this report, made a total bad debt provision of £1,839,105. This provision recognises that a proportion of the Authority's debts will prove irrecoverable and ensures that the value of debtors within the Authority's accounts is a fair reflection of the amount that will eventually be recovered.

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

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

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

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

The Service has access to Experian’s Citizenview database which is currently the most reliable means of tracing absconded debtors. Each case is checked against this system before a decision is taken to write off the debt. A periodic review of write offs against this system may also be carried out to resurrect debts where appropriate.

4. Options available and consideration of risk

5. Proposed Way Forward

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

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The relevant powers for this report are contained within the following legislation;</p> <p>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)</p>
Financial		South Hams District Council debts totalling £178,082.12 to be written-off
Risk	<p>Reputation</p> <p>Write Off</p>	<p>Any risk to reputation is managed carefully by prompt recovery of amounts due wherever possible.</p> <p>This risk is also mitigated by taking a balanced view and ensuring that resources are not expended on debts which are not cost effective to pursue</p> <p>The obvious risk of debtors subsequently being able to pay a debt which has been written off is mitigated by the activity outlined in issues for consideration.</p> <p>Any individual debt exceeding £5,000 is referred to members for consideration prior to write-off which accords with Financial regulations.</p>

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 2014 / 15 Collection Rates

Table 5 – Quarterly income in 2014 / 15 relating to all years

Table 6 – Previous Year Write Off Totals

Background Papers:

Section 151 Local Government Act 1972

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

Section 14 Local Government Finance Act 1992 (Council Tax)

Recovery Policy

Approval and clearance of report

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

If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)

Not Applicable

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

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2015/16			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 2	Cumulative Total		Equivalent Quarter 2014/15		Grand Total 2014/15	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	17	1		Overpaid Entitlement	5,845.64	42	19,486.60	13	4,173.67	187	65,344.60
	3	1		Bankruptcy	2,428.51	9	11,352.65	2	716.26	9	11,262.30
	-	-		Absconded	-	8	9,427.10	4	914.61	14	7,929.70
	1	-		Deceased	93.24	1	93.24	1	24.61	5	1,408.36
	4	-		Not cost effective to pursue	14.08	14	87.30	6	25.93	18	63.92
	-	-		Uncollectable old debt	-	20	6,980.14	23	4,596.65	49	16,129.65
Total	25	2			8,381.47	94	47,427.03	49	10,451.73	282	102,138.53
COUNCIL TAX	8	1		Absconded	2,634.83	13	3,112.29	40	13,725.50	72	23,674.01
	-	1		Administrative Receivership	2,094.70	1	2,094.70	-	-	-	-
	16	4		Bankruptcy	10,980.41	31	18,639.49	16	3,971.23	56	39,476.74
	1	-		Deceased	8.72	2	114.28	-	-	6	1,702.61
	5	-		Small balance	31.51	5	31.51	45	1,039.93	323	11,790.33
	2	2		Other	7,141.44	8	10,735.54	4	2,996.73	15	13,666.11
	3	2		Uncollectable old debt	4,449.43	5	4,449.43	3	2,024.48	9	2,812.75
	-	-		Voluntary Bankruptcy	-	-	-	-	-	8	4,804.75
Total	35	10			27,341.04	65	39,177.24	108	23,757.87	489	97,927.30
SUNDRY DEBTS	-	-	-	Absconded	-	-	-	9	768.48	15	1,415.89
	-	-	-	Bankruptcy/DRO/IVA/CVA	-	-	-	2	750.00	11	1,299.62
	-	-	-	Not cost effective to pursue	-	-	-	1	72.60	5	639.10
	-	-	-	Other	-	-	-	29	2,583.17	35	3,086.39
	-	-	-	Administrative Receivership	-	-	-	-	-	8	105.49
	-	-	-	Small balance	-	-	-	18	20.93	35	38.14
Total	-	-	-		-	-	-	59	4,195.18	109	6,584.63
HOUSING RENTS	-	-	-	Bankrupt	-	-	-	-	-	-	-
	-	-	-	Not cost effective to pursue	-	-	-	16	911.31	18	1,053.65
	-	-	-	Absconded	-	-	-	-	-	2	921.75
	-	-	-	Uncollectable old debt	-	-	-	-	-	1	1,061.98
	-	-	-	Other	-	-	-	1	76.00	1	76.00
-	-	-	Deceased	-	-	-	-	-	-	-	
Total	-	-	-		-	-	-	17	987.31	22	3,113.38
Grand Total	60	12			35,722.51	159	86,604.27	233	39,392.09	902	209,763.84

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

TYPE OF DEBT	NUMBER OF CASES		No of people / business	REASON FOR W/OFF	Financial Year 2015/16			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 2	Cumulative Total		Equivalent Quarter 2014/15		Grand Total 2014/15	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	2	-		Absconded	567.27	3	1,019.77	3	3,300.09	8	6,123.27
	-	-		Administrative Receivership	-	-	-	1	2,373.41	4	11,031.06
	2	6		Liquidation	16,278.33	12	22,794.67	8	20,070.86	15	35,579.70
	-	1		Voluntary Bankruptcy	3,435.69	1	3,435.69	-	-	5	9,697.43
	1	-		Other	3.28	2	40.53	2	183.93	10	658.94
	-	-		Uncollectable old Debt	-	-	-	-	-	2	863.60
	-	-		Bankruptcy	-	1	13.42	1	2,838.51	6	11,062.54
-	-		Deceased	-	-	-	-	-	-	-	
Total	5	7			20,284.57	19	27,304.08	15	28,766.80	50	75,016.54

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

Page 109 TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2015/16			Totals for Comparison purposes			
			Quarter 2	Cumulative Total		Equivalent Quarter 2014/15		Grand Total 2014/15	
			Amount (£)	Case	Amount	Cases	Amount	Cases	Amount
NON-DOMESTIC RATE	1	Administrative Receivership	9,367.21	1	9,367.21	-	-	-	-
	6	Liquidation	105,530.41	9	237,150.49	5	62,891.29	9	118,132.28
	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy	-	-	-	-	-	1	5,914.67
	-	Uncollectable old Debt	-	-	-	1	5,914.67	-	-
	-	Voluntary Bankruptcy	-	-	-	-	-	2	35,495.13
	-	Other	-	-	-	-	-	1	6,870.52
Total	7		114,897.62	10	246,517.70	6	68,805.96	13	166,412.60
HOUSING BENEFIT	-	Deceased	-	-	-	-	-	-	-
	-	Overpaid Entitlement	-	-	-	-	-	-	-
	1	Bankruptcy	7,177.42	1	7,177.42	-	-	-	-
Total	1		7,177.42	1	7,177.42	-	-	-	-
COUNCIL TAX	-	Absconded	-	-	-	-	-	-	-
	-	Bankruptcy	-	-	-	-	-	-	-
	-	Voluntary Arrangement	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	-
Grand Total	8		122,075.04	11	253,695.12	6	68,805.96	13	166,412.60

TABLE 4 NATIONAL & LOCAL COLLECTION STATISTICS RE 2014-15 COLLECTION RATES

Total amount collected in 2014-15 relating to 2014-15 financial year only (net of refunds relating to 2014-15)

	Council Tax			Non Domestic Rates		
	Collectable Debit i.r.o. 14/15 - £000s	Net Cash Collected* i.r.o. 14/15 - £000s	Amount Collected i.r.o. 14/15 - %age	Collectable Debit i.r.o. 14/15 - £000s	Net Cash Collected* i.r.o. 14/15 - £000s	Amount Collected i.r.o. 14/15 - %age
All England	24,793,215	24,052,365	97.0	23,510,378	23,066,362	98.1
Shire Districts	11,352,031	11,116,705	97.9	7,583,172	7,459,915	98.4
East Devon	85,274	84,274	98.8	32,297	31,805	98.5
Exeter	53,152	50,708	95.4	78,004	77,030	98.8
Mid Devon	43,470	42,492	97.8	15,179	15,023	99.0
North Devon	50,667	49,170	97.1	31,940	31,280	97.9
Plymouth	104,466	100,423	96.1	90,908	88,999	97.9
South Hams	58,325	57,352	98.3	29,491	29,082	98.6
Teignbridge	72,698	71,511	98.4	31,560	31,296	99.2
Torbay	65,837	62,871	95.5	37,440	35,772	95.5
Torrige	35,102	34,489	98.3	10,745	10,571	98.4
West Devon	32,794	32,008	97.6	10,658	10,481	98.3

* Net Cash Collected is total 2014-15 receipts net of refunds paid, in respect of 2014-15 only

TABLE 5 QUARTERLY INCOME IN 2014-15 RELATING TO ALL YEARS

Total amount collected in 2014-15 relating to any financial year (net of all refunds in 2014-15)

	Council Tax Net Cash Collected* £000s	Non Domestic Rates Net Cash Collected* £000s
Quarter 1 - Receipts collected between April 2014 - June 2014	17,735	8,693
Quarter 2 - Receipts collected between July 2014 - September 2014	15,832	7,734
Quarter 3 - Receipts collected between October 2014 - December 2014	16,761	8,403
Quarter 4 - Receipts collected between January 2015 - March 2015	7,310	3,797

* Net Cash Collected is total receipts in 2014-15 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

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

* of the £166,412.60, £49,149.55 relates to one business going into liquidation, £25,184.36 relates to another business going into liquidation and a further £26,680.60 relates to an individual entering into a Voluntary Arrangement.

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Affordable Housing Alternative Models

Report to: **Executive**

Date: **10 December 2015**

Title: **Affordable Housing – Alternative models**

Portfolio Area: **Customer First**

Wards Affected: **All**

Relevant Scrutiny Committee:

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

Date next steps can be taken:

Author: **Alex Rehaag** Role: **Specialist – Place & Strategy**

Contact: arehaag@swdevon.gov.uk **01822 813722**

Recommendations:

That Executive RESOLVES to:

1. accept RENT plus as a delivery model to provide affordable housing in the District, free of the restrictions which were set out in July 2014.
2. accept Octopus QSH as a delivery model to provide affordable housing in the District.
3. Delegate authority to Specialists – Place and Strategy to allow both models as an option for delivery as part of the planning application process.

Affordable Housing Alternative Models

1. Executive summary

The RENT plus model to deliver Affordable Housing within the District was introduced to members at the Community Life and Housing Scrutiny Panel on the 5th September 2013. Following this report, a task and finish group was established to clarify the role and benefits of this model to meet the needs of the area.

In July 2014 the task and finish group made the following recommendations and it was resolved that:

- RENT plus could not exceed delivery of 10% of affordable housing delivery within the District in any one financial year
- The model only be allowed on sites that have already achieved 35% or more of affordable housing
- This model of delivery be allowed on a trial basis of 5 years.

On the 15th October 2015 members were invited to attend an updated presentation from RENT plus. Members who attended the presentation requested that RENT plus was brought back to members to re-consider the model to deliver affordable homes within the district. This was timely due to the announcement of proposed changes within the Housing and Planning Bill.

Since the presentation in October 2015, further delivery models similar to Rent Plus have been introduced to officers. There are currently two models which officers are aware of, these are RENT Plus and Octopus QSH. Due to the way in which funding is being provided and the drive for home ownership we are likely to see other different models similar to RENT Plus and Octopus QSH.

This report seeks to allow these alternative delivery models as a proportion of affordable housing delivery. This will be without the restrictions which were previously agreed in terms of RENT Plus. The reduction in available grants to support affordable housing and the proposed extension of the Right to Buy to Housing Associations is likely to have a severe impact on delivery of affordable housing in future years and alternative models for delivery of rented accommodation will need to be supported.

Members recognised the current issues arising and therefore wished to revisit this. The previous report from the task and finish group was agreed in July 2014 and is attached to this report. A summary of the two models we are aware of is also attached to this report.

Affordable Housing Alternative Models

Viability in terms of affordable housing delivery is already problematic and these alternative models could provide certainty in delivering affordable housing in our communities. Both companies proposing these models are willing to be signatories to Section 106 agreements and are willing to work with the council to ensure that the right type and size of properties is delivered.

Reports recently published by Shelter and the Joseph Rowntree Foundation have highlighted that the Starter Homes initiative is likely to be unaffordable for many of those wishing to access home ownership – in particular in areas such as the South Hams where there is a large disparity between wages and house prices. The schemes we are seeking approval for would work with the local authority to ensure affordability and will provide good quality housing for local people. Both schemes are affiliated with local housing associations, RENT plus with Tamar Housing and Octopus QSH with South Devon Rural.

Neither of these models have a financial impact on the council as these properties are delivered with NIL grant. The properties currently attract New Homes Bonus.

2. Background

The government has announced the intention to extend the Right to Buy to Housing Associations. The information surrounding this is still unclear but further information is expected shortly. This has caused concern to the authority in terms of how we can deliver affordable housing and the tenure which is promoted within our communities. In addition to this the Starter Homes initiative is proposed to be included as part of the affordable housing provision. In the South Hams this means that a starter home would attract a discount of 20% and would not exceed £250k to the purchaser. Applicants for these properties would need to be under the age of 40 and not have owned their own home before. This is likely to limit the market in the area. The cost of a starter home would not be affordable to most people due to the low wages in the area. These properties could be sold after 5 years and would be sold at full market value, this means that the properties would be “lost” to the open market. Again further announcements are expected regarding this shortly.

Affordable housing has traditionally been provided through rented accommodation in perpetuity or through shared ownership properties. In rural areas stair casing in shared ownership has been restricted to 80% and this has limited mortgage availability as banks are reluctant to lend. This is causing additional concerns for Registered Providers and their ability to borrow funds against their housing stock which could be sold through the right to buy. It is important to note that rented in perpetuity will no longer exist if the proposed changes are enacted.

Affordable Housing Alternative Models

The current government has stated its intention to increase the home ownership sector and has made this a priority, this is being seen through the Housing and Planning Bill and the grants and funding streams which are currently available which are aimed at home ownership.

In addition to this many housing associations in the district are now providing "fixed term" tenancies and the maximum tenancy that can be awarded through housing associations is 7 years. The RENT plus model can provide a longer tenancy term of up to 20 years with the opportunity to purchase at year 20. The Octopus QSH model can provide a fixed term tenancy and residents can "choose" to purchase. If not purchased by the tenant this would remain as a rented unit. This will provide the opportunity for tenants to own their home at the end of this period when their situation may have improved and rented accommodation is not the only option. The RENT Plus option could decrease demand on current properties for those applicants in priority bands on the Devon Home Choice register who may never have the option of owning their own home. The Octopus QSH scheme will provide a rented property for as long as it is needed, subject to the usual provisions ie rent paid, good behaviour, with the option to buy. These properties will be exempt from the right to buy as they are owned by an investment company but the tenancy management is provided through a local housing association, South Devon Rural.

These models of housing do not seek to replace rented accommodation as this is not an option for many people however it does address the government drive for people accessing home ownership and provides an option for local people.

These schemes will continue to provide affordable housing and this will meet the aspirations of many of our communities who wish to own their own home. Many people struggle to access home ownership due to inability to save for a deposit due to high rents and the limited mortgages they can access. These schemes address both of these issues. In terms of RENT Plus a dedicated advisor will assist the tenant in to owning their home. Whilst paying a market rent, a proportion of this rent will be gifted to the tenant as a deposit for the purchase at year 5, 10, 15 or 20. Mortgage companies will lend on this type of property as they are not restricted by mortgagee in possession clauses in terms of the housing association or local connection criteria as is the case with shared ownership properties.

In terms of the Octopus QSH model, the maximum rents charged to tenants is at 90% of the Local Housing Allowance (LHA). This is used to allow for rent rises and to ensure they remain under the LHA as the rents would be subject to an annual rent rise of CPI plus 1%. This model allows rents to be charged at varying different levels depending on need, for example market rents, affordable or social rents can be applied.

Affordable Housing Alternative Models

If and when a tenant decides to purchase the property they will be gifted 50% of the rent paid. There is a maximum amount attached to this which is 10% of the open market value of the property. The gifted deposit stays with the property and not the person, therefore if someone moves out within the first 5 years the rent paid can be "inherited" as the deposit element.

Members need to be aware that at the end of each tenancy period for RENT Plus and if and when the Octopus QSH housing is sold those units of accommodation will be lost from the housing stock. Although this may appear daunting, this is likely to be the case with ex council stock which was transferred to a housing association with the extension of the Right to Buy or recent new builds through Right to Buy.

Attached to this document is the presentation from Rent Plus which was delivered to members on the 15th October 2015. The Octopus QSH information is also attached, this was the information recently featured in Inside Housing.

3. Outcomes/outputs

If members agree to the adoption of these alternative delivery models, results may be seen in a relatively short period of time. These types of housing along with traditional rent are already being presented to officers by developers in the planning pre - application discussions. This is because the funding is in place and they are seen as low risk to developers when seeking a Registered Provider for affordable housing.

This is likely to be a favoured option by communities who are already seeking this type of home ownership product.

The model could increase our affordable housing delivery within the area and potentially allow us to meet the target of 50% affordable housing on site in some circumstances.

This will offer communities an additional choice to meet their needs and aspirations.

4. Options available and consideration of risk

Members could agree to take the previously adopted approach for RENT Plus to both schemes as set out in the executive summary. However, this could result in uncertainty of Affordable Housing delivery and minimal take up of these schemes as very few sites are achieving 35% affordable housing. This reduces options for our communities and may affect our statutory housing duties.

Affordable Housing Alternative Models

This process has been through the task and finish group previously and an outcome was achieved.

There will continue to be a need for traditional rented properties and therefore these schemes cannot be the only form of delivery, this can complement the site and provide a mixed tenure community. This will need to be monitored to ensure that we are meeting our statutory duties in respect of homelessness.

These properties will be "lost" from the housing stock when and if they are disposed of to the tenant. This is likely to be less of a risk dependent upon the final outcome of the Right to Buy, this risk could be obsolete in the future.

In light of government changes the HCA accepts this model of delivery and it is recognised.

5. Proposed Way Forward

Members are invited to consider and agree the alternative delivery models to provide affordable housing to meet the needs of our community. This meets the strategic policy of creating mixed and balanced communities within the South Hams.

To minimise risk, with member's approval this model could be reviewed and monitored on a yearly basis. This may be important given the amount of changes and uncertainty in relation to affordable housing at the present time. Officers will be able to provide members with a scheme by scheme report with affordable housing totals and tenure type.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		Meets with the proposals of the Housing and Planning Bill. This is a discretionary option of affordable housing. This will need to be monitored to ensure that we are meeting our statutory obligations.
Financial		Neither of these models have a financial impact on the council as these properties are delivered with NIL grant. The properties currently attract New Homes Bonus.

Affordable Housing Alternative Models

Risk		<p>The properties will become open market properties over time.</p> <p>Officers need to ensure that this is an additional model of affordable housing and does not replace traditional rented accommodation.</p> <p>Reviews will need to be taken to ensure that the council continues to meet the statutory requirements.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	Y	<p>You need to set out what the Equality and Diversity implications are.</p> <p>There is a need to ensure we continue to meet our statutory duties.</p>
Safeguarding	N	You need to set out what the Safeguarding implications are.
Community Safety, Crime and Disorder	Y	<ul style="list-style-type: none"> Is there any potential positive or negative impact on crime and disorder reduction? <p>This aspect is assessed on a site by site basis as part of the planning application.</p>
Health, Safety and Wellbeing	Y	Both schemes will provide safe, secure homes which will ensure the wellbeing of the tenants/purchasers. Financial support is provided through RENT plus to help with the eventual purchase.
Other implications		N/A

Supporting Information

Appendices: **Presentation from RENT plus – October 2015**
Octopus QSH information
Committee resolution

Affordable Housing Alternative Models

Background Papers:

Previous RENT plus report – Community Life and Housing Scrutiny Panel.

Approval and clearance of report

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



A new model for Affordable Housing

South Hams
October 2015



Why do we need a new Affordable Housing option?

- Nationally and locally the demand for homes far exceeds supply
- Grant funding to Registered Providers (RPs) through the Homes and Communities Agency (HCA) has significantly reduced
- Changing profile of HCA Investment Partners and risk appetite- most recently following summer budget
- Fresh approach to reinvigorate delivery and open up real choices for local people



How does Rentplus work?

Page 123



How does Rentplus work? (1)

Homes built to building regulations and local authority agreed space standards

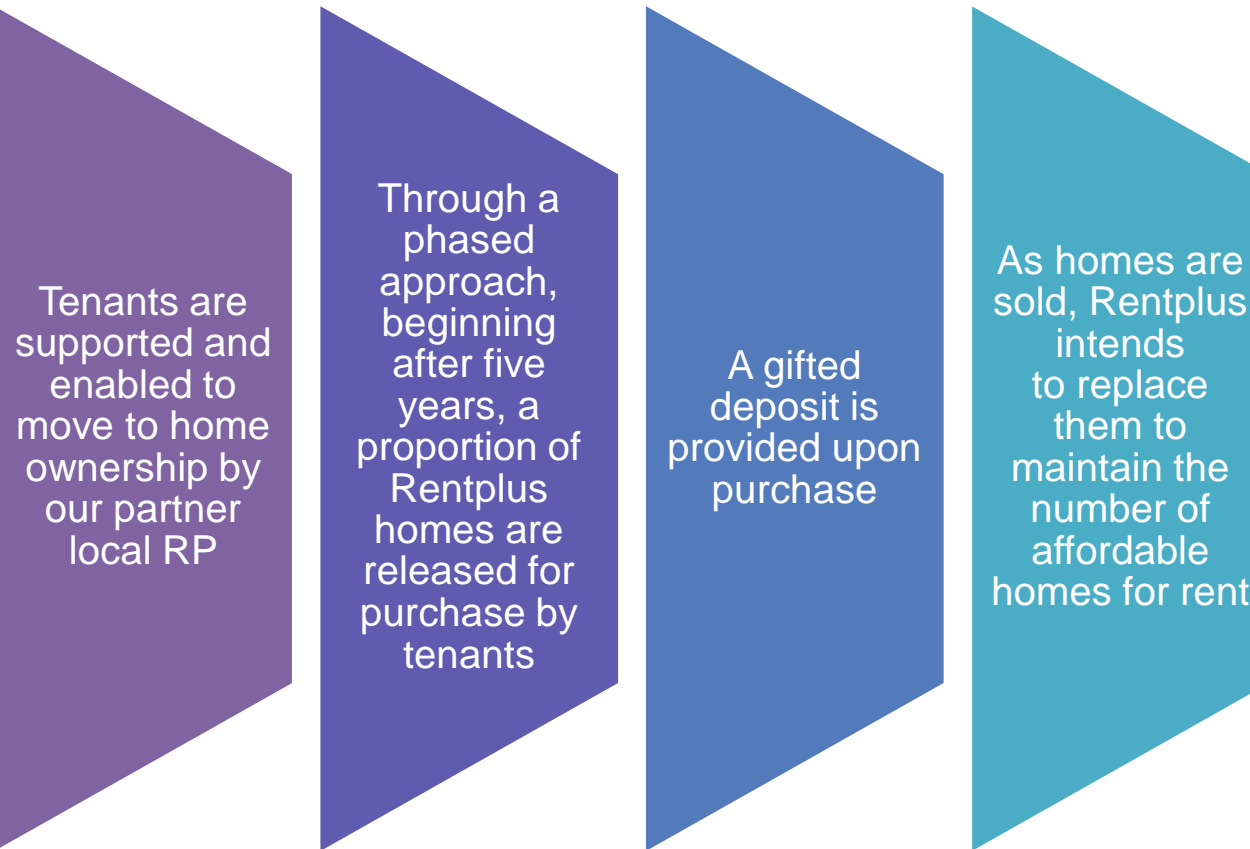
Rentplus homes are leased to local partner RPs for up to 20 years

Homes are made available at affordable rents to those in housing need through LA waiting list, Home Choice and/or Help to Buy Agent

Rentplus homes are available for rent for a period of between 5 and 20 years, on 5-year renewable tenancies



How does Rentplus work? (2)



Opportunity for tenants (1)

- New home at an affordable rent with support and guidance to achieve home ownership
- Opportunity to demonstrate creditworthiness through a five-year tenancy of rent payments to help mortgage application
- Gifted deposit of 10% of the open market value of the property at the time of purchase
- Home which is planned and integrated as part of open market housing and designed with the future in mind



Opportunity for tenants (2)

Location	Monthly cost for private rented three bed house <i>(Rightmove)</i>	Monthly cost for RENTplus three bed house **	Household saving (per month)*	Household saving (over 12 years)
Totnes	£925	£663	£262	£31,454
Ivybridge	£795	£621	£174	£25,056
Kingsbridge	£800	£640	£160	£23,040
Dartmouth	£795	£636	£159	£22,896
South Brent	£725	£580	£145	£20,880
PLUS:	Fuel cost savings in addition to stability for employment, schools and healthcare			Note: rents at variable % of MR can be modelled but will impact on purchase price and viability
* against average rent of				
**at 80% of market rent, or, at/or below local housing allowance levels - directgov.uk /LHA rates				



- Developed in the South West by Richard Pillar and Tamar Housing
- Both based in Plymouth with the support of the City Council
- No capital grant sought and attracting substantial pension scheme and ethical institutional investment - a new investment funding platform for affordable housing
- New homes are managed and maintained by an approved local RP
- Highly regarded board and strong governance



- Ambitious business plan approved to deliver an initial **5,000** completed homes as part of **an 8,000 home** pipeline nationally. This is scalable, in response to Government wanting at least 10,000 affordable rent to buy in current spending round
- Delivers new affordable homes for rent for up to 20 years
- A new option to complement existing models of affordable housing to promote mixed tenure, at scale and improve choice
- Provides real opportunity to people in housing need who aspire to home ownership and are unable to save a deposit from taxed income, for example: those in (i) existing social housing unsuitable for their needs or (ii) private rented accommodation



Ethical Investment

- Pension funds and ethical investors have previously been reluctant to invest in the affordable housing sector
- Rentplus offers the mixture of rental income and capital return necessary for a viable investment product
- The Rentplus model can be grown steadily, and through further investment of capital, create a virtuous circle of investment in a local authority area
- Local Authority and Rentplus can agree a Memorandum of Understanding setting out the principles and expectations



Benefits for Local Authority

- A significant increase in the number of homes available at affordable rents and New Homes Bonus payments
- NPPF compliance
- Promotes mixed tenure developments
- Can add value to council owned land and may attract a capital receipt for the local authority
- Each home built creates 1.5 full-time jobs*
- Takes tenants who purchase, off housing lists or if the home is sold on the open market, 7.5% of the sale proceeds passes to LA to invest in future affordable housing
- Generates local investment in new homes if property is sold

*Labour Needs of Extra Housing Output – Michael Ball Professor of Urban and Property Economics at Reading University, 2005



Rentplus for the community?

- Rentplus homes will be designed with delivery partners for the local community
 - Built to high quality standards
 - Promoting community safety
 - Tackling fuel poverty
 - Resident choice
 - Attractive for ownership
 - Opportunity to rent, save and own
- Available to those in housing need and priority groups such as those in training, working families on lower income and armed service personnel



Rentplus for Registered Providers?

- Rentplus homes leased to an approved local RP Consortium member:
 - To deliver organic growth for the RP
 - To significantly increase revenue £income without additional borrowing
 - Increase range of housing offer and expertise
 - Within Regulatory Framework & HCA SFA for Affordable Rent



Working with Local Authorities

- Rentplus Agreement ✓
- Memorandum of Understanding ✓
 - Minimum of 500 (Plymouth) and 400 (Sedgemoor DC) new homes over 5 years
- Working together to identify sites ✓
- MP Briefings ✓
- Section 106 Agreements ✓



Working with Plymouth City Council



- Plymouth City Council Plan for Homes:
 - 5,000 new energy efficient homes over 5 years to support the population and meet the housing needs of the City:
 - Stimulate growth and inward investment- £45.3m into the local economy
 - Create 2,000 new jobs, training and apprenticeships
- Rentplus and Section 106 Agreements ✓
- Memorandum of Understanding ✓
- Working together to meet the Plan for Homes ✓
- Minimum of 500 new homes within 5 years✓



Working with Sedgemoor District Council



- Core strategy 2010-2017 identifies demand for nearly 500 homes pa:
 - Strong focus on delivery in Bridgwater
 - Despite rapid growth of PRS, displacement of existing households on lower incomes through arrival of skilled workers for Hinckley C
 - Sustain growth of commercial sector
 - Require rapid supply of new forms of affordable housing
- Rentplus and Section 106 Agreements ✓
- Memorandum of Understanding ✓
- Working together to identify sites and S106 opportunities✓
- Minimum of 400 new homes within five years✓



Thank you for listening

Any questions?



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Octopus QSH – extract from Inside housing

A giant private investor is targeting “market transformation” of the affordable housing sector, as it throws its £5bn weight into building cheap rented housing without grant.

Octopus Investments has formed a partnership with commercial affordable housing developer QSH to deliver thousands of grant-free units over the coming years, Inside Housing can reveal.

The fund, which already has multibillion pound investments in healthcare, sustainability and property, will provide debt and equity finance to a new company, Octopus QSH, which is a joint venture between the two groups.

It will build and own the homes, which will be for affordable rent and a pioneering rent-to-buy product, while seeking housing associations to take on management contracts for the properties. The fund has a total investment capacity of £5bn spread across a variety of markets. It says it hopes to achieve a “market transformation” in affordable housing but would not be drawn on how much specifically it will invest into the affordable housing sector.

Octopus joins merchant bank Salamanca Group and equity investor Cheyne Capital in making significant moves into the affordable housing sector this year, as the growth of equity-funded affordable housing gathers pace.

The company is not registered as a housing association, meaning it will not be subject to recent government changes such as Right to Buy, the rent cut and Pay to Stay.

Work has already started on its first development – a 102-home scheme in Doncaster, where the builder will be Wates Living Space, a strategic partner of Octopus QSH.

The homes will be offered as rent-to-buy units, where half of tenants’ rent goes towards saving for a deposit for the home. The homes will be managed by St Leger – Doncaster Council’s arm’s-length management organisation. Ten further schemes are currently in the pipeline.

Mario Berti, head of the specialist finance team at Octopus, said: “There is a chronic shortage of affordable housing in the UK, which presents a huge opportunity for Octopus QSH.”

Octopus QSH's management team all have social housing backgrounds, with founder and chief executive Paul Hardisty a former director at Birmingham City Council.

QSH has already developed schemes across the UK under a grant-free model, but the backing of Octopus will allow it to vastly expand its operation.

Steve Douglas, director of consultancy Altair, said: "I think this is the future – where social housing will be delivered without grant... and housing associations have to reimagine their role."

NAME OF COMMITTEE	Community Life and Housing Scrutiny Panel
DATE	19 June 2014
REPORT TITLE	Housing Delivery Models
Report of	Affordable Housing Task and Finish Group
WARDS AFFECTED	All

Summary of report:

The Task and Finish Group was established to consider issues concerning the RENTplus model. In undertaking this task it was necessary to consider housing delivery in a wider context including other alternative delivery models. This report sets out the key outcomes and recommendations of the Group.

Financial implications:

In circumstances where a RENTplus home is sold on the open market, a proportion of the sale price is gifted to the Local Authority.

RECOMMENDATIONS:

That the Panel **RECOMMENDS** that Executive **RECOMMENDS** to Council that;

- i. Rent Plus is supported by the Council subject to the following criteria;
 - a) the level of Rent Plus be limited to a maximum 10% of all affordable housing delivered in the South Hams in any one financial year.
 - b) Rent Plus only be considered on sites that achieve 35% or more affordable housing and;
 - c) That Rent Plus is introduced on a trial basis for a period of 5 years.
- ii. A report outlining alternative approaches to Investment in Housing is prepared and submitted to a future meeting of the Community Life and Housing Scrutiny Panel.

1. Introduction

- 1.1 The Task and Finish Group was established to consider issues concerning the RENTplus model. In undertaking this task it was necessary to consider housing delivery in a wider context including other alternative delivery models. This report sets out the key outcomes and recommendations of the Group.
- 1.2 The Group consisted of;
- Cllr Holway - Chair
 - Cllr Cuthbert – Deputy Chair
 - Cllr S Wright
 - Cllr Hodgson
 - Cllr Gorman
 - Cllr Steer
 - Cllr Carson
 - Cllr Cooper
 - Cllr J Hawkins
 - Affordable Housing Manager
 - Affordable Housing Officer
- 1.3 The Group met on two occasions, on 24th January 2014 and 13th May 2014. Julie Barnett, Chief Executive of Tamar Housing (a RENTplus Partner) attended the May meeting of the group to provide further clarity on the RENTplus model.
- 1.4 At the conclusion of the May meeting it was agreed that the Group had adequately considered the issues and were able to report back the Community Life and Housing Scrutiny Panel. This report outlines the issues discussed and the recommendations of the group.

2. BACKGROUND

- 2.1 RENTplus homes are new homes delivered to Homes and Communities Agency standards and acquired by RENTplus-UK for pension funds or socially responsible investors. RENTplus lease the homes to a local housing association partner who in turn leases the homes to tenants aspiring to home ownership. Initial tenancies are for a period of five year tenancies at an affordable rent. Tenants on the waiting list are able to apply for a RENTplus home through Devon Home Choice.
- 2.2 At the end of the first 5 year tenancy, a proportion of the RENTplus homes will be released for purchase by tenants who will have been supported to move from tenancy to home ownership. Tenants will be gifted a deposit by RENTplus-UK upon purchase.

- 2.3 Those homes which are not sold at year 5 will be re-let to tenants for a further 5 year period, at the end of which a second batch of homes will be sold. This process repeats at years 15 and 20, at which time all homes will have been sold.
- 2.4 In circumstances where the tenant, another RENTplus tenant or the registered provider managing the RENTplus home does not purchase and the home is sold on the open market, a proportion of the sale price is gifted to the Local Authority.

3. ISSUES FOR CONSIDERATION

RENTplus

- 3.1 The main concern expressed by Members was the issue of perpetuity. Typically affordable housing is provided in perpetuity with any subsidy from that sale reinvested to provide alternative affordable housing. Members were concerned that RENTplus failed to meet this perpetuity test.
- 3.2 To address this concern, RENTplus have committed to provide a continual cycle of investment to ensure an ongoing programme of homes within the area. This commitment would be secured through a Memorandum of Understanding between the parties.
- 3.3 During discussions Members came to the view RENTplus provided an opportunity to meet the needs of the intermediate market i.e. families that would not typically qualify for affordable housing but were excluded from the owner occupation market. This outweighed concerns regarding perpetuity. The group therefore considered that Rent Plus should be supported subject to certain criteria detailed below.
- 3.3 The other area of concern was a lack of clarity around the scale of any RENTplus programme. The Group agreed that the majority of new provision should be homes which enabled the Council to continue to meet the Council's Statutory Housing duty; which in most cases would be Social or Affordable Rented housing. A small programme of alternative forms of affordable housing would however be appropriate.
- 3.4 In order to address concerns regarding the issue of perpetuity and scale, the Group agreed that
- a) the level of Rent Plus be limited to a maximum 10% of all affordable housing delivered in the South Hams in a financial year.
 - b) that Rent Plus only be considered on sites that achieve 35% or more affordable housing and;
 - c) that Rent Plus is introduced on a trial basis for a period of 5 years.

Alternative Delivery Models

- 3.5 The Group were keen to explore alternative delivery models and how the Council could develop an approach to investment which delivered affordable housing and contributed toward the Income Generation.
- 3.6 A key area of discussion was the option of traditional Council owned housing. The group were advised by the Affordable Housing Manager (AHM) that it was unlikely to be practical or efficient for the Council to build, own and manage Council Housing in a traditional way as the Council had done prior to stock transfer in 1999. The reason for this was the onerous requirement to hold a Housing Revenue Account (HRA). Whilst there had been a number of beneficial reforms to the HRA system, it was recommended by the AHM that Council owned housing through an HRA would not be efficient.
- 3.7 The AHM advised the group that the Council were progressing a small number of development projects which might be retained to generate income. A small programme would be permissible outside of an HRA but should the Council wish to increase the level of retained assets it would need to consider establishing an appropriate vehicle for those assets. There were a number approaches such as Local Development Companies which could hold assets free of HRA requirements.
- 3.8 The group requested that the AHM prepare a detailed report on Alternative Housing Investment Models to be submitted to a future meeting of the Community Life and Housing Scrutiny Panel.

4.0 LEGAL IMPLICATIONS

- 4.1 A Memorandum of Understanding will be agreed between the Council and RENTplus to reflect the recommendations contained within this report.

5. FINANCIAL IMPLICATIONS

- 5.1 In circumstances where a RENTplus home is sold on the open market, a proportion of the sale price is gifted to the Local Authority. RENTplus works with tenants to assist them to achieve home ownership it is therefore unlikely that homes will be sold on the open market.

6. RISK MANAGEMENT

- 6.1 The key risks relate to the level of RENTplus relative to traditional forms of affordable housing and how the model would work in practice. These risks have

been mitigated through the recommendation to limit the scale of RENTplus and introduce the model on a trial basis.

7. OTHER CONSIDERATIONS

Corporate priorities engaged:	The report primarily relates to the Homes priority but has links with the Economy, and Community Life priorities.
Statutory powers:	Localism Act General Powers of Competence
Considerations of equality and human rights:	This matter is assessed as part of each specific project.
Biodiversity considerations:	This matter is assessed as part of each specific project.
Sustainability considerations:	This matter is assessed as part of each specific project.
Crime and disorder implications:	This matter is assessed as part of each specific project.
Background papers:	
Appendices attached:	None

Report Template

Report to: **Executive**
Date: **10th December 2015**
Title: **Community Led Housing Initiative**
Portfolio Area: **Customer First**

Wards Affected: **All**

Relevant Scrutiny Committee:

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

Date next steps can be taken:

Author: **Cassandra Harrison** Role: **Senior Specialist – Place & Strategy**

Contact: **Cassandra.harrison@southhams.gov.uk 01803 861317**

Recommendations:

1. The approved £100,000 Community Led Housing Initiative be changed from a loan to a grant scheme.

1. Executive summary

The Community Led Housing Initiative was approved by Members at Executive on 12th December 2013. Since this time there has been no uptake of the loan from community groups. Feedback has been that communities are unable to afford to take out a loan because of the uncertainty around being able to pay it back.

Report Template

2. Background

An increasing number of communities are taking an active role in the delivery, ownership and management of affordable housing. This is typically through Community Land Trusts. This approach is an alternative to the traditional approach of section 106 led delivery, whereby the Council negotiates with private developers to ensure a percentage of new homes are affordable.

A key barrier for Community Land Trusts in delivering affordable housing, is access to funding, particularly in the early stages at pre-application stage. The Community Led Housing Initiative was established to provide loan finance to enable projects to progress to the planning application stage.

The concept was set out in the Housing Capital Programme report, 6th June 2013 (see attached) and approved (minute ref E05/13). The approval included an allocation of £100,000 from the Housing Capital Programme to fund the initiative. The detail of the Community Led Housing Initiative loan was reported to Community Life and Housing Scrutiny Panel on 21st November (see attached) and approved at Executive on 12th December 2013.

Since approval of the loan fund there has been no uptake from Community Land Trusts in the South Hams. The Council is working with three constituted Community Land Trusts, South Brent CLT, Transition Homes Totnes on a site they have bought in Dartington and Harberton CLT. All three groups have identified sites and are all struggling with pre-development costs. The reason they have not taken up the loan is because of concerns about paying it back.

3. Outcomes/outputs

If members agree to the Community Led Housing Initiative being changed from a loan to a grant results may be seen in a relatively short period of time.

South Brent Community Land Trust has a well advanced scheme, unfortunately they have recently lost some of their pre-development funding. If this report is approved then the grant will assist with taking their proposal forward to Dartmoor National Park planning committee. The Local ward members are in approval.

The same criteria for assessment would apply.

Report Template

Purpose and Eligibility

The purpose of providing grant finance is to assist with pre-development costs i.e. the cost of progressing a scheme to planning application stage. This may for example include professional fees such as architects and surveyors or general costs associated with progressing a scheme. Grants will not be provided to support day to day running costs of a group and will only be available to formally constituted groups such as Community Land Trusts and Town and Parish Councils.

Grants will be between £10,000 and £25,000 and it is expected that the community group applying for the grant must have raised at least 50% of the funding required to progress the project.

Applications for grants can be made at any time. Schemes should however be sufficiently advanced and be able to demonstrate that they can realistically be delivered. This will be a key criteria when assessing grant applications to ensure the Council only provide grants to schemes which have a high degree of certainty.

Criteria for Assessment

Grant applications will be assessed against the above purpose and eligibility together with the following criteria:

- Community groups must be constituted as a Community Land Trust or other appropriately constituted body before applying for a grant.
- The constitution of participating organisations must allow the organisation to borrow.
- Grants will not be provided to individuals on behalf of an organisation.
- Each scheme will be judged on its own merit.
- Schemes must be financial viable and have a high degree of certainty that they can be delivered. Applicants will need to demonstrate this.
- Communities must be able to demonstrate availability of other funds sufficient to progress the scheme to planning application stage.
- Community groups must be able to demonstrate financial capabilities.

It is anticipated the £100,000 funding available will still be sufficient to support four community led affordable housing projects.

Report Template

4. Options available and consideration of risk

Members could agree not to approve this report, however, this would result in no support for community led affordable housing delivery and no uptake of the approved grant fund. This reduces options for our communities.

To minimise risk, with member's approval, this initiative could be reviewed and monitored on a yearly basis. This is important given the amount of changes and uncertainty in relation to affordable housing at the present time.

Audit have been consulted and have provided advice on demonstrating a clear audit trail to protect officers and the Council. This includes a formal agreement with stipulations and methods of repayment if non-compliance with grant conditions.

5. Proposed Way Forward *(do not remove)*

Members approve the Community led Housing Initiative Loan to Grant fund to deliver affordable housing to meet the needs of our community. This meets one of our priority actions for 2015/16 which is to "develop and adopt a range of initiatives to support wider housing need across the district."

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	This will need to be monitored to ensure that we are meeting our statutory obligations.
Financial	Y	The financial impact is the £100,000 will no longer be self-perpetuating. However as it currently stands it is not being used at all. The new properties developed will attract New Homes Bonus.
Risk	Y	Reviews will need to be taken to ensure that the council continues to meet the statutory requirements.
Comprehensive Impact Assessment Implications		

Report Template

Equality and Diversity	Y	There is a need to ensure we continue to meet our statutory duties.
Safeguarding	N	No direct safeguarding concerns with regard to this policy.
Community Safety, Crime and Disorder	Y	No direct implications.
Health, Safety and Wellbeing	Y	None
Other implications		None

Supporting Information

Appendix 1: Community Housing Fund Leaflet

Background Papers:

Affordable Housing Capital Programme Report 6th June 2013 – Executive

Community Led Housing Initiative Report 21st November 2013 – Community Life and Housing Scrutiny Panel

Approval and clearance of report

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

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Assessment Criteria

The following criteria will be considered in assessing the suitability of an application:

Community groups must be constituted as a Community Land Trust (CLT) before applying for a loan.

The constitution of participating organisations must allow the organisation to borrow.

Loans are not provided to individuals on behalf of an organisation and trustees that act prudently are not personally liable for the loan. However a condition of any loan to a registered charity is that the organisation maintains trustee indemnity insurance throughout the loan period.

Each scheme will be judged on its own merit.

Schemes must be financial viable.

Communities must be able to demonstrate availability of other funds.

The applicant needs to show that a future income is available to repay the loan.

Community groups must be able to demonstrate financial capabilities.

Loans will be subject to terms and condition which will be agreed and signed prior to funds being released.



The Community Housing Fund

Financial support for local groups



How to apply

For an application form please visit:

www.southhams.gov.uk

If you fulfil the assessment criteria and / or would like further information, please contact:

Affordable Housing Team
South Hams District Council,
Follaton House,
Plymouth Road, Totnes
Devon, TQ9 5NE.



Tel: 01803 861234
Email: affordable.housing@southhams.gov.uk

This information is also on our website.
If you need it in another format please
call us on 01803 861234

Loans for local
housing groups to
provide affordable
homes in their
community





Foreword

Providing affordable homes for local people is one of our top priorities at South Hams District Council. Affordable housing is an important part of community life, helping to keep families together, supporting local facilities and contributing to the vitality of our towns and villages.



Over recent years, delivering homes that are affordable for local people has become increasingly challenging as a result of the economic downturn, a decline in overall levels of development and reductions in government grants previously available to fund affordable housing projects.

To try and help this situation, we have developed an initiative called the 'Community Housing Fund' which helps provides financial support for community groups to progress affordable housing schemes, particularly during the early stages allowing communities to spread the cost of a scheme over a longer period.

This leaflet sets out what Community Housing Fund is, how it can be used and how it can help to support the needs of your community. We hope you find it useful and we look forward to working with you to deliver affordable housing in your community.

Councillor Jonathan Hawkins
Executive Member for Housing

What is the Community Housing Fund (CHF)?

The CHF has been developed to support communities in the South Hams to deliver affordable homes for local people in their community. The scheme provides financial support for local housing groups to progress affordable housing schemes, particularly during the early stages.

Why do we offer community loans?

Community organisations cannot always raise all the funding they require from donations or grants. Most sources of grant funding are heavily oversubscribed and have a maximum amount that can be awarded. CHF funding would allow an organisation to spread the cost of a scheme over a longer period.

Who do we provide loans to?

The Council will provide loans to registered Community Land Trusts (CLTs), other constituted community groups and town and parish councils.



What do we provide loans for?

The CHF loan scheme is available for pre development costs e.g. the cost of progressing a scheme to planning application stage. This may for example include professional fees such as architects and surveyors and on general costs associated with progressing a scheme.

What is the minimum and maximum loan amount?

Loans of between **£10,000** as a minimum and **£25,000** as a maximum are available.

It is expected that the community group must have raised a proportion of the funding required to progress a project.

Loans available will therefore be to a maximum of 50% of total pre development costs or £25,000 whichever is the lesser. All other funding must be confirmed before the loan is advanced.

When can organisations apply?

Applications for loans can be made at anytime - see the criteria for assessment.

What is the loan term?

The maximum repayment period for loans is 3 years from date of acceptance of the loan offer, although this may be extended with the prior approval of the Council.



**MINUTES OF THE MEETING OF THE
OVERVIEW & SCRUTINY PANEL
HELD AT FOLLATON HOUSE, TOTNES ON
THURSDAY, 19 NOVEMBER 2015**

Panel Members in attendance:			
* Denotes attendance		∅ Denotes apology for absence	
*	Cllr K J Baldry	*	Cllr D W May
*	Cllr N A Barnes	*	Cllr J T Pennington
*	Cllr J I G Blackler	*	Cllr K Pringle
*	Cllr D Brown	*	Cllr M F Saltern (Chairman)
*	Cllr J P Green	*	Cllr P C Smerdon
*	Cllr J D Hawkins	*	Cllr K R H Wingate
*	Cllr D Horsburgh		

Other Members also in attendance:
Cllrs H D Bastone, I Bramble, J Brazil, P K Cuthbert, R F D Gilbert, M J Hicks, P W Hitchins, J M Hodgson, T R Holway, J A Pearce, R Rowe, R C Steer, R J Tucker, R J Vint, L A H Ward and S A E Wright

Item No	Minute Ref No below refers	Officers in attendance and participating
All		Head of Paid Service and Senior Specialist – Democratic Services
8 and 9	O&S.51/15 and O&S.52/15	Section 151 Officer and Finance Business Partner
10	O&S.53/15	Lead Specialist – Place and Strategy
11	O&S.54/15	Group Manager – Support Services
12	O&S.55/15	Executive Director (Service Delivery and Commercial Development), Group Manager – Customer First and Contact Centre Manager
13	O&S.56/15	Monitoring Officer
14, 15 and 16(a)	O&S.57/15, O&S.58/15 and O&S.59/15(a)	Group Manager – Business Development
16(b)	O&S.59/15(b)	Group Manager – Commercial Services
16(c)	O&S.59/15(c)	Lead Specialist – Place and Strategy

O&S.46/15 WELCOME

In his introductions, the Chairman welcomed Cllr J P Green to his first Overview and Scrutiny Panel meeting following his recent election.

O&S.47/15 MINUTES

The minutes of the meeting of the Overview and Scrutiny Panel held on 17 September 2015 were confirmed as a correct record and signed by the Chairman.

O&S.48/15 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting. These were recorded as follows:-

Cllr J P Green declared a Disclosable Pecuniary Interest in Item 8: 'Review of Fees and Charges for 2016/17' (Minute O&S.51/15 below refers) specifically in relation to the proposed fee for Acupuncture, Tattooing, Ear-piercing and Electrolysis by virtue of his wife being an acupuncturist. In the event of this particular fee being debated, Cllr Green advised that he would then leave the meeting during the discussion and he abstained from the vote on the recommendation.

Cllr K R H Wingate declared a Disclosable Pecuniary Interest in Item 8: 'Review of Fees and Charges for 2016/17' (Minute O&S.51/15 below refers) specifically in relation to the proposal to establish an Events Policy Task and Finish Group by virtue of public comments that he had previously made in this regard. Cllr Wingate proceeded to leave the meeting room during the debate on this matter and abstained from the vote on the recommendation.

O&S.49/15 PUBLIC FORUM

In accordance with the Public Forum Procedure Rules, no items were raised at this meeting.

O&S.50/15 EXECUTIVE FORWARD PLAN

The following issues were raised on the most recently published Executive Forward Plan:-

- Having sought clarity on the Rent Plus agenda item (which was scheduled for consideration by the Executive at its meeting on 10 December 2015), it was noted that a report was to be presented as a consequence of the implications arising from the Housing and Planning Bill;
- In the absence of the Local Development Scheme from the most recently published Forward Plan, it was agreed that an update would be provided in the next Members' Bulletin edition.

O&S.51/15 REVIEW OF FEES AND CHARGES FOR 2016/17

The Panel considered a report that set out proposals for fees and charges for all services for 2016/17. The report noted that, in the event of each of the recommendations being endorsed, additional income that could be generated from this review would total £5.000.

In discussion, reference was made to:-

- (a) the number of events being held on Council land. In acknowledging that the number of events were increasing year on year, a number of Members lamented the current lack of a consistent (yet with a degree of flexibility built in) approach from the Council. As a consequence, the following additional recommendation was **PROPOSED** and **SECONDED** and when put to the vote was declared **CARRIED**:-

'That an Events Policy Task and Finish Group (comprising of Cllrs Baldry, Bramble (Group Lead) and Brown) be established with the primary purpose of reviewing and revising the Council's Events Policy.'

- (b) the justification for a proposed reduction in some fees and charges. The lead Executive Member for Support Services informed that these reductions were proposed in an attempt to bring these fees and charges in line with those proposed by West Devon Borough Council (WDBC). Some Members proceeded to put on record their views that the Council should be locally setting its own charges and should not be giving any consideration to those proposed by WDBC. In reply, officers informed that there was a need for the Council to be able to justify its fees and charges structure and it would be deemed disproportionate if the same shared officers (and processes) were proven to be working to two different sets of charging regimes;
- (c) charging for the use of public conveniences. A Member highlighted the inconsistency of approach for charging to use public conveniences and urged the lead Executive Member to make progress in this regard;
- (d) the proposed charges for shower use. Some Members felt that the proposed charges to be applied for shower use were too low and should therefore be increased. As a result, it was **PROPOSED** and **SECONDED** and when put to the vote was declared **CARRIED**:-

'That, for 2016/17, the shower charges should be increased from 20p to £1.'

- (e) the proposed Site Sponsorship charges. Having been informed that Site Sponsorship opportunities were not being taken up, an additional recommendation was **PROPOSED** and **SECONDED** and on being put to the vote was declared **CARRIED**:-

'That, before a decision is taken by the Council, a benchmarking exercise be undertaken in order to review the proposed Site Sponsorship charges and the Panel also task officers to investigate methods of increasing marketing opportunities to promote this initiative.'

- (f) opportunities arising from trade waste charges. A non-Panel Member expressed his disappointment that the Council was not being more ambitious in respect of utilising opportunities to generate more income from the trade waste function. The Member was of the view that the Council could generate at least an additional £200,000 per annum if it exploited the opportunities which were available to it from the trade waste service.

It was then:

RESOLVED

1. That the Executive **RECOMMEND** to Council that the proposed fees and charges (as set out in the presented agenda report and appendices) be approved as part of the 2016/17 Budget Setting process, subject to the shower charges being increased from 20p to £1;
2. That the Executive **RECOMMEND** to Council that delegated authority be given to the Community Of Practice Lead for Environmental Health, in consultation with the Lead Executive Member, to modify the charges of Food Export Certificates, once the outcome of the current review is known;
3. That the Executive **RECOMMEND** to Council that delegated authority be given to the Group Manager for Commercial Services, in consultation with the lead Executive Member, to set the Commercial Waste charges, once all the price modelling factors are known;
4. That, before a decision is taken by the Council, a benchmarking exercise be undertaken in order to review the proposed Site Sponsorship charges and the Panel also task officers to investigate methods of increasing marketing opportunities to promote this initiative; and
5. That an Events Policy Task and Finish Group (comprising of Cllrs Baldry, Bramble (Group Lead) and Brown) be established with the primary purpose of reviewing and revising the Council's Events Policy.

(NOTE: recommendations 1, 2 and 3 (above) will be considered by the Executive at its 4 February 2016 meeting as part of the wider 2016/17 Budget Setting process).

O&S.52/15 NEW HOMES BONUS ALLOCATION TO DARTMOOR NATIONAL PARK AUTHORITY

In line with the Council decision when approving the 2015/16 Budget at its meeting on 12 February 2015 (Minute 66/14 below refers), a paper was considered that provided a progress update on the application and use of the New Homes Bonus funds that had been transferred to the Dartmoor National Park Sustainable Community Fund.

In the ensuing discussion, the Panel noted that the allocations varied in the published agenda papers, as a consequence of there being a twelve month time lag in the process.

It was then:

RESOLVED

That the paper be noted.

O&S.53/15 OUR PLAN: SOUTH HAMS – REVIEW

A report was considered that provided a progress update on Our Plan: South Hams.

During the debate, reference was made to:-

- (a) the division of responsibilities between lead Executive Members. For clarity, it was confirmed that the Leader of Council was the lead Executive Member for the overriding 'Our Plan: South Hams' and Cllr Hicks was the lead Executive Member specifically for the 'Local Plan' element of 'Our Plan: South Hams'. In welcoming this clarification, Members were keen to emphasise that Our Plan: South Hams was more than just concerned with the local plan and house building. Having said that, another Member stressed that it was of paramount importance that the Council established its housing need numbers. In this respect, the Leader informed that the Housing Needs Survey was being refreshed and would be reported back to Members for consideration;
- (b) the need to improve the communications in relation to Our Plan: South Hams was recognised by the Panel;
- (c) Member participation in the process. The Panel was of the view that an all Member event should be held early in the New Year to discuss Our Plan: South Hams and the underpinning delivery plan;
- (d) the Village Housing Initiative (VHI). Officers confirmed that they were attempting to bring together a number of approaches to housing development and the VHI concept was a key scheme that would be specifically looked at during this process;

- (e) the Delivery Plan being a shared document with West Devon Borough Council (WDBC). Whilst it was noted that the key themes and objectives were almost identical between the two councils, the Panel asked that, in the future, consideration be given to the Delivery Plans being separated for both councils.

It was then:

RESOLVED

1. That the monitoring of Our Plan: South Hams and the 2015/16 Action Plan be noted;

That the Executive **RECOMMEND** to Council that:

2. Our Plan: South Hams be issued for the start of the 2016/17 Financial Year as a document that:-
 - o recognises Our Plan: South Hams for the start as the single comprehensive Council Plan;
 - o re-states the Council's corporate Vision and Objectives;
 - o establishes the common basis for the Council's Financial Plan, Asset Management Plan, Local Plan and all other Plans and Strategies;
 - o establishes long-term and short-term priorities for delivery including a delivery plan commencing in 2016/17;
 - o establishes mechanisms for delivery; and
 - o establishes engagement, monitoring and review procedures;
 - o provides context for subsequent incorporation of the Local Plan element currently subject to separate preparation.
3. a Member Workshop be held early in the New Year to progress this work;
4. the final document return to the Executive and Council for agreement prior to its publication.

O&S.54/15 TRANSFORMATION PROGRAMME MONITORING

The Group Manager – Support Services provided an update on the Transformation Programme and highlighted that:-

- the Development Management service had gone live on the W2 System this week;
- a positive meeting had been held recently with Civica (the IT system provider); and
- the Programme remained on target in respect of timescale and budget.

During the debate, reference was made to:-

- (a) presenting monitoring reports to the Panel prior to their consideration by the Executive. In the future, officers agreed to re-align the quarterly monitoring reports that were presented to the Executive to ensure that they were considered by the Panel in the first instance;
- (b) the pace and extent of the Programme. Some Members were of the view that, in hindsight, the Programme had been progressed too quickly and staff numbers had been reduced too severely;
- (c) the Modern.Gov committee management system. Officers advised that the Council was now in a position to commence with a Member trial of the new system. As a general point on the Council's intention to reduce its paper usage, it was noted that discussions were taking place with town and parish councils in an attempt to minimise the impact of this drive.

RESOLVED

1. That the progress update be noted; and
2. That, in the future, the quarterly Transformation Programme Monitoring Reports be presented to the Panel before being considered by the Executive.

O&S.55/15 CUSTOMER SERVICES UPDATE

Following regular updates to the Panel, a report was presented that updated Members on the Customer Services performance trends since the last meeting. In particular, the report paid attention to telephone call answer times, call volumes and staff recruitment as areas of particular concern.

In discussion, the following points were raised:-

- (a) Whilst it was acknowledged that the latest performance trends were showing some signs of improvement, a number of Members expressed their opinions and disappointment that the service was still of an unacceptable standard. The two statistics that were repeatedly highlighted as being of particular concern were that:
 - o 18% of calls were not being answered; and
 - o 26% of callers were having to wait over 7 minutes to have their call answered.

In response to Members citing specific examples of the public receiving poor service from the Contact Centre, the Head of Paid Service urged that, in such instances, Members let him know accordingly.

The Panel reiterated its desire to see a far greater improvement in performance and it was then **PROPOSED** and **SECONDED** and when put to the vote declared **CARRIED** that:-

'A clear action plan be produced for Customer Services and presented to the next Panel meeting on 14 January 2016 for its consideration.'

- (b) When questioned, the Panel noted that, as a result of the blueprinting exercise, the Contact Centre had provision for a core staffing level of 15 full-time equivalent members of staff. Such was the pressure on the service, some Members felt that, whilst there were inevitable revenue implications, staffing numbers had to be reviewed in the Contact Centre;
- (c) With regard to some quick wins, officers agreed to remind staff throughout the Council to be professional in their telephone manner. In addition, it was agreed that, for outgoing calls from the Council, officers would ensure that the telephone number was no longer displayed as being 'withheld'.

In conclusion, whilst the Panel had been robust in stating its concerns and frustrations, Members did recognise that the staff in the Contact Centre were doing a good job and working tirelessly in very difficult circumstances. As a consequence, the Panel asked that its thanks be passed on to those staff who work in the Contact Centre.

It was then:

RESOLVED

That a clear action plan be produced for Customer Services and presented to the next Panel meeting on 14 January 2016 for its consideration.

O&S.56/15 DISPENSATIONS TO DUAL-HATTED MEMBERS

A report was considered that sought to consider whether the general dispensation that had previously been granted to all dual-hatted Members should be extended.

In discussion, a Member expressed his dissatisfaction over the recommendation and, in particular, was unhappy that a Member of the Executive could also be a Devon County Council (DCC) Member. The Member felt it to be inevitable that there would be occasions when the two roles would lead to a Member having a conflict of interest. To counter this view, other Members highlighted that a dual-hatted Member could in fact utilise this position to the benefit of the Council. Moreover, it was recognised that Executive Members had very limited individual decision-making powers.

It was then:

RESOLVED

That the general dispensation that had been previously granted to all dual-hatted Members of South Hams District Council to enable them to speak and vote on matters where they are a Member of another local authority and in receipt of a Members' Allowances for that other authority be extended until May 2019.

O&S.57/15 BUSINESS DEVELOPMENT GROUP MANAGER UPDATE

The Panel considered a report that presented an update on the Business Development Group Manager role.

In discussion, reference was made to:-

- (a) the 27 possible income generation activities identified in the presented agenda report. In light of a request, the lead Executive Member confirmed that he would circulate a generic list of these activities to the wider membership. As an assurance, it was confirmed that activities relating to trade waste and sponsorship were included on this list;
- (b) the performance and intelligence team. It was noted that the team was still heavily involved in the process mapping for the Transformation Programme and, realistically, the team would be fully integrated and established early in the New Year;
- (c) projects related to Salcombe Harbour. Having been informed that the Harbour Master had a number of potential business development opportunities in mind, the Panel asked that the Harbour Board be fully consulted with as and when ideas started to be progressed.

It was then:

RESOLVED

That the report and the work completed and planned by the Business Development Group Manager role be noted.

O&S.58/15 UPDATE ON THE RURAL DEVELOPMENT PROGRAMME FOR ENGLAND (RDPE) 2014-2020

The Panel considered a report that provided an update on the Rural Development Programme for England (RDPE) 2014-2020.

In discussion, it became apparent that some Members had concerns regarding the seeming lack of monitoring, transparency and feedback that the Council received from the South Devon Coastal Local Action Group (LAG) and Greater Dartmoor – Local Enterprise Action Fund (LEAF). As a consequence, the Panel requested that representatives

from the LEAF and LAG be invited to attend the Panel meeting on 17 March 2016.

It was then:

RESOLVED

1. That the report be noted and the scheme be promoted as appropriate with local residents and businesses;
2. That the Council continue to support the Greater Dartmoor – Local Enterprise Action Fund (LEAF) and the South Devon Coastal Local Action Group (LAG); and
3. That representatives from the LEAF and LAG be invited to attend and provide an update to the Panel meeting on 17 March 2016.

O&S.59/15 TASK AND FINISH GROUP UPDATES

(a) Performance Measures

A report was considered that presented the final report of the Performance Measures Review Task and Finish Group. In introducing the report, the Group Chairman paid particular attention to the choice of performance measures being subject to continuous review and changed as and when deemed necessary and as Members concerns altered.

The Panel wished to put on record its thanks to the Chairman and Members of the Group, officers and the lead Executive Member for undertaking an excellent review.

It was then:

RESOLVED

That the findings of the Task and Finish Group be endorsed whereby:-

1. streamlined versions of the Balanced Scorecard and Background and Exception report (as shown in Appendices A and B respectively of the presented agenda report) be made available to Members on a quarterly basis, containing measures where a Scrutiny role is beneficial;
2. financial measures be reported elsewhere and therefore not included in these reports, with these measures being replaced with specific T18 measures;
3. an in-depth quarterly analysis of an area or department be included within the reporting, designated to interrogate the high

level performance data further and identify trends, improvements etc. This 'deep-dive' quarterly analysis will either follow a pre-determined schedule or be flexible enough to focus on issues raised by a prior quarterly report; and

4. once the T18 Programme is fully operational, Members will be given easy access to a much larger range of 'live' performance data that they can choose to access at any time, rather than just relying on the reports presented to them.

(b) Dartmouth Lower Ferry

It was noted that an interesting and informative site visit had been undertaken to the Ferry and Workshop. Following this visit, a further Group meeting had been held on 5 November 2015, during which a broad overview of the initial findings of the report produced by RPT Consulting was presented.

In terms of next steps, Members were advised that a Group meeting was to be held in December 2015, with the subsequent recommendations then presented to the next Panel meeting on 14 January 2016, before then being considered by the Executive on 4 February 2016.

(c) Partnerships

Members were advised that the first joint Group meeting had been held and valued contributions had been made from Members of both the Council and West Devon Borough Council. The meeting had given a real insight into the vast number of Partnerships that the Council was involved in and the joint meeting had enabled for a number of useful comparisons to be drawn.

It was noted that the next joint meeting was to be held on 6 January 2016 at Kilworthy Park, Tavistock.

(d) Waste and Recycling

The Panel acknowledged that a final wash up meeting of the Task and Finish Group had been held on 24 September 2015 and the newly convened Group was to hold its first meeting in December 2015.

Members commented that it would be beneficial for the notes of the final Group meeting to be circulated with the agenda for the next Panel meeting on 14 January 2015.

O&S.60/15 **MEMBER VISIT TO THE NATIONAL MARITIME OPERATIONS CENTRE IN FAREHAM**

The lead Executive Member for Customer First introduced a paper that had been prepared by the Harbour Master following their visit to HM Coastguards National Maritime Operations Centre on Friday, 13 November 2015.

In conclusion, the paper outlined that the visit had been useful and informative and had addressed all known concerns that had been raised by Members. Particularly reassuring was the willingness to acknowledge that the Centre still had further progress to make that was coupled with a resolve to do so.

In discussion, reference was made to:-

- (a) the presentation given by the Coastguard representative. In commending the quality of the presentation that they had received, the lead Executive Member was of the view that a number of the public relations problems that had been incurred by the organisation would have been overcome if the key messages in the presentation had been disseminated from the offset;
- (b) the transformation agenda. Members were informed that the impact of Central Government budget cuts had been kept to a minimum for the organisation in light of it having the foresight to begin its transformation agenda before any government funding announcements had been made;
- (c) concerns over the loss of local knowledge. In countering these concerns, an example was cited to the meeting whereby three officers from Brixham were now working at the Centre in Fareham;
- (d) two main challenges remaining. The Panel was informed that a new pager system was in the process of being tested to replace the current antiquated system. Also, the representative had promised to follow up on a specific query relating to blind spots and he gave a commitment to let the Council know in due course.

The Chairman proceeded to thank the Member and Harbour Master for attending such a worthwhile visit and asked that the Council's thanks also be extended to the organisation. Finally, the Panel welcomed the conclusion of this longstanding agenda item and felt that any specific issues that arise in the future should be progressed through local MPs.

O&S.61/15 DRAFT ANNUAL WORK PROGRAMME 2015/16

The Panel considered its draft 2015/16 Work Programme and made particular reference to:-

- (a) a Development Management (DM) service update. The Panel endorsed the suggestion that a DM service update be presented to its next meeting on 14 January 2016. In particular, Members asked that this agenda item made reference to service improvements following the new system going live on the website and an update on the outsourcing of the services backlog of applications;
- (b) the Customer Services Action Plan. The Panel reiterated that this agenda item should be scheduled on to the agenda for 14 January 2016 meeting;
- (c) attendance of the LEAF and LAG representatives. Members repeated their request for LEAF and LAG representatives to be invited to the Panel meeting on 17 March 2016.

(Meeting started at 10.00 am and concluded at 1.00 pm).

Chairman

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