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SOUTH HAMS EXECUTIVE - THURSDAY, 29TH JANUARY, 2015

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Agenda Letter** (Pages 1 - 4)

2. **Reports**

Reports to Executive:

- a) Item 8 - Revenue Budget Proposals 2015/16 (Pages 5 - 38)
- b) Item 9 - Capital Budget Proposals for 2015/16 to 2017/18 (Pages 39 - 56)
- c) Item 10 - Revenue Budget Monitoring 2014/15 (Pages 57 - 66)
- d) Item 11 - Capital Budget Monitoring 2014/15 (Pages 67 - 80)
- e) Item 12 - Leisure Service Procurement (Pages 81 - 100)
- f) Item 13 - South Devon and Tamar Valley Areas Of Outstanding Natural Beauty (AONBs): Update on Memoranda of Agreement and related matters (Pages 101 - 108)
- g) Item 14 - Write Off Report (Pages 109 - 114)
- h) Item 16 - Future Options for Devon Building Control Partnership (Pages 115 - 192)

3. **Minutes** (Pages 193 - 204)

Agenda Item 1

To: Members of the Executive
(Cllrs Bastone, Gilbert, Hicks,
Saltern, Tucker, Ward and Wright)

Our Ref. CS/KT

cc: Remainder of Council (for information)
Usual officer and press circulation

21 January 2015

Dear Member

A meeting of the **Executive** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes on **Thursday, 29 January 2015 at 10.00 am** when your attendance is requested.

Yours sincerely

Kathryn Trant
Member Services Manager

<p>FOR ANY QUERIES ON THIS AGENDA, PLEASE CONTACT KATHRYN TRANT MEMBER SERVICES MANAGER ON DIRECT LINE 01803 861185</p>
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AGENDA

1. **Minutes** - to approve as a correct record and authorise the Chairman to sign the minutes of the meeting of the Executive held on 11 December 2014 (previously circulated);
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** – a period of up to 15 minutes is available to deal with questions submitted to the Council in accordance with the Executive Procedure Rules (page 1 only);

7. **Reports of Other Bodies:** to receive, and as maybe necessary to approve, the minutes and any recommendations of the under-mentioned body:-
 - (a) Joint Scrutiny Panel Budget meeting: 15 January 2015 (pages 2 to 6);
 - (b) Economy and Environment Scrutiny Panel: 22 January 2015 (to follow);
8. **Revenue Budget Proposals 2015/16** – to consider a report that updates Members on the revenue budget position for 2015/16 and provides a framework within which decisions can be made regarding future service provision and council tax levels (pages 7 to 34);
9. **Capital Budget Proposals for 2015/16 to 2017/18** – to consider a report that summarises the Capital Programme proposals for 2015/16 (pages 35 to 47);
10. **Revenue Budget Monitoring 2014/15** – to consider a report that enables Members to monitor income and expenditure variations against the approved budget for 2014/15 and provides a forecast for the year end position (pages 48 to 55);
11. **Capital Budget Monitoring 2014/15** – to consider a report that advises Members of the progress on individual schemes within the approved capital programme, including an assessment of their financial position (pages 56 to 66);
12. **Leisure Service Procurement** – to consider a report that summarises the strategic issues the Council will need to consider as part of assessing future leisure provision, including the use of the leisure assets, following the end of the current contract in 2016 (pages 67 to 84);
13. **South Devon and Tamar Valley Areas Of Outstanding Natural Beauty (AONBs): Update on Memoranda of Agreement and related matters** – to consider a report that presents an update on various matters related to the South Devon and Tamar Valleys AONBs (pages 85 to 91);
14. **Write Off Report** – to consider a report that informs Members of the debt written off for all revenue streams within the Revenue and Benefits service (pages 92 to 97);
15. **Exclusion of Public and Press** - to consider the following resolution to exclude the public and press:-

“That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”;
16. **Future Options for Devon Building Control Partnership** – to consider a report that asks Members to consider the future service delivery model of the Partnership (pages 98 to 103). This item includes an exempt appendix that, due to its size, has been circulated to members of Executive only. Other Members can access this document via the Member Secure Site or paper copies could be available on request.

Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system

Please note that this agenda is available on audio cassette for those with a visual impairment

**MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER
THIS AGENDA HAS BEEN PRINTED ON ENVIRONMENTALLY FRIENDLY PAPER**

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AGENDA
ITEM

8

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

8

NAME OF COMMITTEE	Executive
DATE	29 January 2015
REPORT TITLE	Revenue Budget Proposals 2015/16
Report of	Finance Community of Practice Lead (Section 151 Officer)
WARDS AFFECTED	All

Summary of report:

To update Members on the revenue budget position for 2015/16. This forecast is intended to provide a framework within which decisions can be made regarding future service provision and council tax levels. The Executive's recommendations will be considered by Full Council on 12th February 2015.

Financial implications:

The report sets out an anticipated budget gap for 2015/16 of £408,000 (Appendix A).

The budget gap must be reduced to zero in order to set a balanced budget in each financial year. This reports sets out the strategy and options available to close the budget gap.

RECOMMENDATIONS:

That the Executive resolves to RECOMMEND to Council:

- 1. That in order to set a Balanced Budget for 2015/16**

EITHER

Option 1) - A Nil increase in council tax for 2015/16 will be set (the Band D Council Tax for South Hams District Council will remain at £145.42 for 2015/16) and the Council will accept the one-off Council Tax Freeze Grant being offered by the Government of £57,789 (this represents a Council Tax Requirement for 2015/16 of £5,323,372)

OR

Option 2) - An increase in Council Tax of 1.9% will be set (the Band D Council Tax for South Hams District Council will be £148.18 for 2015/16, an increase of £2.76 per year or 5 pence per week) (this represents a Council Tax Requirement for 2015/16, of £5,424,407

- 2. the financial pressures in Appendix B of £ 2,153,000 be agreed**
- 3. the £10,000 discretionary budget bid for the Citizens Advice Bureau be agreed;**
- 4. the schedule of savings identified in Appendix B totalling £ 2,170,000 be agreed;**
- 5. the Collection Fund Surplus of £100,000 as shown in Appendix A be agreed ;**
- 6. the level of contributions to reserves to be included within the Authority's budget, as set out in Appendix E be agreed;**
- 7. the allocation of Council Tax Support Grant for Town and Parish Councils be set at £112,827 in 2015/16, a reduction of 10 % (Appendix C)**
- 8. an additional allocation of £TBA from the New Homes Bonus to support the Revenue Budget in 2015/16 be made (*This is in addition to the £564,043 currently used in 2014/15 to support the Revenue Budget. This figure is £395,083 if Council Tax is frozen or £351,837 if Council Tax is increased by 1.9% as shown in Section 8*).**

9. that the Council should set its total net expenditure for 2015/16 as shown in Appendix D at £TBA This is subject to final confirmation of Government funding which will be notified at the end of January 2015. If the Government changes the funding, delegated authority is given to the S151 Officer in liaison with the Leader of the Council to identify an appropriate solution.
10. to allocate £153,900 of New Homes Bonus funding for 2015/16 to the Community Reinvestment Projects budget for 2015/16. Any under spend from the 2014/15 Community Reinvestment Projects budget of £153,900 is to be transferred into the Capital Programme Reserve.
11. the Council transfers £5,779 of its allocation of the New Homes Bonus for 2015/16 to the Dartmoor National Park Sustainable Community Fund. The funds are awarded as a one off payment to Dartmoor National Park, to award projects on an application basis administered by Dartmoor National Park. The following conditions will apply:
- A. decisions must be taken in consultation with the South Hams District Council local Ward Member(s);
 - B. funding can only be used for capital spending on projects in those parts of Dartmoor National Park which fall within the South Hams District Council Boundaries and enable the Dartmoor National Park to carry out its social economic responsibilities; and
 - C. Dartmoor National Park reports on the progress in the application of, and use of the funds to the Community Life and Housing Panel on a six monthly basis and in time for budget decisions to be made (i.e. June and November).
12. £464,000 of New Homes Bonus funding from the 2015/16 allocation is used to fund housing capital projects (Disabled Facilities Grants and Affordable Housing). (*The Capital Programme is a separate report on this Executive agenda and the funding is set out in section 5.1 of that report*).
13. to transfer any unallocated New Homes Bonus funding for 2015/16 to the Capital Programme Reserve (*this figure is £100,728 if Council Tax is frozen or £143,974 if Council Tax is increased by 1.9% as shown in Section 8*).
14. the level of reserves as set out within this report and the assessment of their adequacy and the robustness of budget estimates are noted. This is a requirement of Part 2 of the Local Government Act 2003.

Officer contacts:

Lisa Buckle, Finance Community of Practice Lead
lisa.buckle@swdevon.gov.uk

1. BACKGROUND

1.1 At its meeting on 11 September 2014, the Executive resolved that Council be recommended to consider the following 'minded to' views in order to guide the 2015/16 budget process:

1. In light of the projected T18 savings, Members are 'minded to' not increase Council Tax for 2015/16 at this stage
2. New Homes Bonus should be used to support the Revenue Budget for 2015/16 unless other ways to support the budget arise in the meantime;
3. A 10% reduction in Council Tax Support Grant be passed on to town and parish councils as shown in Appendix D of the presented report; and
4. Other budget savings were to be looked for and considered.

1.2 Since that meeting, a number of events and announcements have taken place which impact upon the financial position of the authority and the budget gap going forward. These are summarised below:

- The Chancellor's Autumn Statement of 3 December 2014 and the Local Government Finance Settlement announced on 18 December 2014.
- The receipt of monitoring information from the "Localisation of Business Rates" initiative introduced by the Government on 1 April 2013. Members will be aware that the yield from business rates now forms an integral part of the new Government Grant system.
- Council approval of the revised business case for the Transformation Programme (T18).

1.3 Accordingly, the assumptions for financial modelling purposes have been reviewed and the budget gap revised. For 2015/16 the gap is £408,000 (Appendix A).

1.4 At the joint meeting of the Scrutiny Panels held on the 15 January 2015 it was resolved that the Executive give consideration to the following views of the Scrutiny Panel in relation to the 2015-16 budget:

1. That South Hams CVS should be in receipt of an additional £10,000 grant above the approved Service Level Agreement, to be potentially funded through the identified uncommitted remaining New Homes Bonus Balance (Page 43 of the Executive meeting agenda of 11 December 2014 specifically refers);
2. That the Council Tax for 2015/16 should be increased by 1.9%;

3. That any surpluses identified through the 2015/16 Budget Setting process should be ring fenced for the affordable housing capital programme.
- 1.5 It was also resolved by the Scrutiny Panel that the Executive give consideration to the following:
1. That the status quo should be retained in respect of the funding for the Empty Homes Strategy, but that this should be reviewed as part of the 2016/17 Budget Setting process;
 2. That pre-application planning fees should be reviewed before the 2016/17 Budget Setting process for major developments;
 3. That the work of the Disabled Facilities Grant Task and Finish Group to generate in-year savings be noted;

2. ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSE

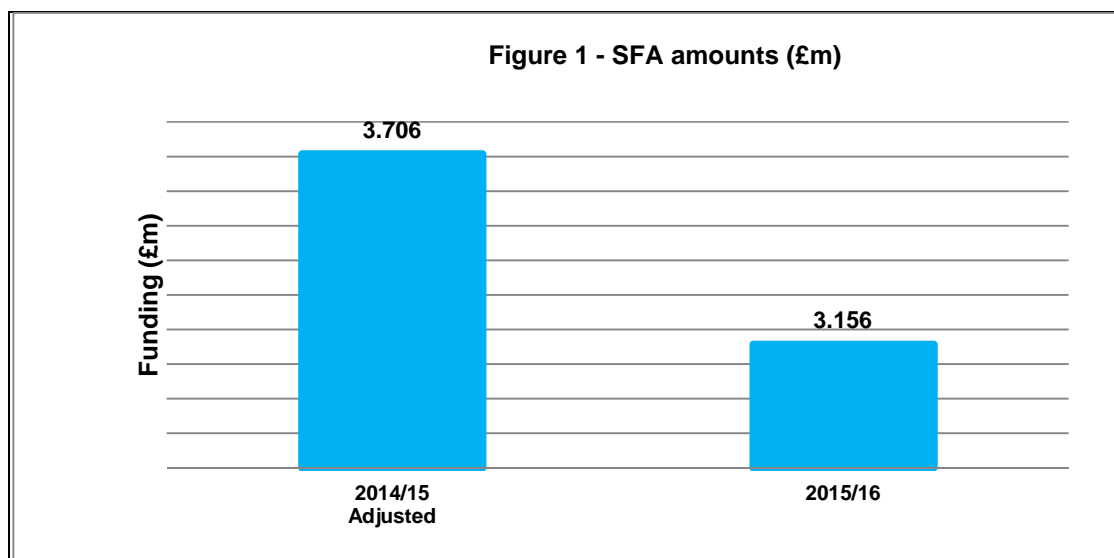
- 2.1 There is predicted to be a 32 % reduction in government funding over the four years from 2014/15 to 2018/19 (see Appendix A). The Appendix is consistent with figures that have been provided through the Finance Settlement for 2015/16 and the modelling available regarding Localisation of Business Rates from data we have supplied to the Government on Business Rates returns.
- 2.2 A two year pay award, covering the financial years 2014/15 and 2015/16 has recently been agreed. The main part of what is a complex settlement comes into effect on 1 January 2015. The indications are that it will add around 2.2% to our pay bill.
- 2.3 Average inflation will run at 2% over the four year period.
- 2.4 The interest return for our investments will average 0.6 % for 2015/16 rising to 2.25% in 2018/19.
- 2.5 No assumptions have been built into the financial modelling for council tax increases for 2015/16 onwards. Therefore the financial modelling in Appendix A assumes a Band D council tax of £145.42 (the current Band D council tax for 2014/15) and acceptance of the Government Freeze Grant.
- 2.6 The Council is addressing budget under-performances on car parking income through a realignment exercise over a period of time – to align the income targets with actual income received. Income from car parking has been reduced by £50,000 in 2015/16, based on trends over the last three years.

- 2.7 The Dartmouth Lower Ferry has not regained its customer base in full following its closure for essential slipway maintenance. Current projections indicate that income for the 2014/15 financial year could be more than £150,000 under budget. It is suggested that in a similar way to the approach used for car parking that the budget is reduced by £50,000 per annum over a three year period.
- 2.8 The Strategic Waste Review actions for the South Hams Collection Service have been agreed. The major procurement for the sale of dry recycling materials is under way currently. Subject to market prices for recycling materials, the saving for the waste review in 14/15 will be £110,000 (Budgeted 14/15 saving was £140,000). Interim materials sales solutions have already increased income during this financial year.
There is a reduction in the original saving estimated due to the decision made to delay property day changes until the autumn of 2015 when we will have our new fleet in place and the support officer capacity to deliver this customer change effectively and efficiently.
- 2.9 Members will appreciate that capital spending has an impact on revenue. As part of the Medium Term Financial Strategy it will be necessary to review the level and phasing of schemes within the Capital Programme. A detailed three year Capital Strategy and Capital Programme is the subject of a separate report on this agenda.

3. THE LOCAL GOVERNMENT FINANCE SETTLEMENT

Government Grant (Settlement Funding Assessment (SFA))

- 3.1 Our SFA in 2014-15 was £3.706 million and this has been reduced to £3.156 million – this is a reduction of £550,000 (14.8%). This was in line with what we expected. This is a one year settlement for 2015/16 only and the figures announced are provisional. A Council's SFA is equal to the Revenue Support Grant plus the Council's baseline funding level for Business Rates.



- 3.2 South Hams had a reduction in funding of 14.8%. The average for Shire District Councils was 15.3%. Shire Counties had an average reduction of 13.5%. The cut announced in this settlement brings the total reduction in core government funding to Councils since 2010 to 40 per cent. Over this period councils will have made £20 billion worth of savings.
- 3.3 The Council provided evidence to a study, commissioned by the Government, into the cost of providing services in rural areas. Our work on this has paid dividends as the Government has increased the amount of money put into the Rural Services Delivery Grant and we have received a share of that. Rural funding has increased to £15.5m (previously £11.5m).

Business Rates

- 3.4 We budget for our share of the Business Rates separately using statistical data. The Council will receive a separate grant to compensate for the measures announced in the 2014 Autumn Statement, namely:
- The RPI increase on business rates will be reduced to 2% per cent for 2015/16
 - A £1,000 discount for all retail, pubs, cafes (excluding banks and betting offices) with rateable values below £50,000 will be increased to £1,500 for 2015/16. The Council will receive a Government grant for this.
- 3.5 Alongside the finance settlement, we have received notification that a new Business Rates Pool will be established for 2015/16 of all Devon Authorities, excluding South Hams. This is in line with the Council decision (October 2014) to withdraw from Pooling arrangements in 2015/16.

Council Tax Referendum Limit

- 3.6 The Government has announced that council tax increases of 2 per cent or over will be subject to a council tax referendum. The Government is consulting on whether similar council tax referendum principles should apply to the highest spending parishes and towns.

Council Tax Freeze Grant

- 3.7 The 1% Council Tax Freeze Grant offer for 2015/16 was re-affirmed. The indicative Council Tax Freeze Grant for 2015/16 is £57,789.

New Homes Bonus

- 3.8 We have received notification that our NHB allocation will be £1,693,533 for 15/16, which is £78,448 more than the estimate of £1,615,085 shown in the Budget report presented to the Executive on 11 December 2014.

4. NEW HOMES BONUS

- 4.1 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.
- 4.2 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 for 2013/14 is used to support the following categories:
- To finance housing capital projects
 - Community re-investment projects (please see separate agenda item)
 - 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

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

Year	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Grant received	297,567	826,317	1,026,018	1,365,325
Use of New Homes Bonus (£)				
Housing Capital Projects		300,000	460,000	460,000
Community Reinvestment Projects			153,900	153,900
Revenue Base Budget	100,000	100,000	100,000	564,043
Community Grants (CAB Outreach worker)			10,000	10,000
Funding for the overall capital programme	197,567	419,567		
Dartmoor National Park		6,750		17,277
Transferred to the Capital Programme Reserve			302,118	160,105
TOTAL	297,567	826,317	1,026,018	1,365,325

4.4 An estimate of New Homes Bonus for the next four years is shown below:

NHB Forecast (£)	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
2011/12 actual allocation	297,567	297,567	297,567	-	-
2012/13 actual allocation	528,750	528,750	528,750	528,750	-
2013/14 actual allocation	199,701	199,701	199,701	199,701	199,701
2014/15 actual allocation	339,307	339,307	339,307	339,307	339,307
2015/16 forecast allocation		328,208	328,208	328,208	328,208
2016/17 forecast allocation			251,680	251,680	251,680
2017/18 forecast allocation				251,680	251,680
2018/19 forecast allocation					251,680
TOTAL	1,365,325	1,693,533	1,945,213	1,899,326	1,622,256
The table below shows the possible ways in which NHB could be used in future years for modelling purposes only:-					
To fund Housing Capital Projects	460,000	464,000*	460,000	460,000	460,000
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	564,043	564,043	?	?	?
Dartmoor National Park	17,277	5,779	TBA	TBA	TBA
Capital Programme Reserve	160,105				
Balance (uncommitted)	Nil	495,811	1,321,313	1,275,426	998,900

*N.b. see separate agenda item on the Capital Programme 2015/16

The NHB balance uncommitted is £495,811 in 2015/16. If council tax is frozen, a further £395,083 of New Homes Bonus would be needed to support the Revenue Budget as shown in Section 8. This option would leave £100,728 of New Homes Bonus uncommitted (this is £495,811 as above less the amount of £395,083 to support the Revenue Budget, as shown in Section 8).

Alternatively if council tax is increased by 1.9%, a further £351,837 of New Homes Bonus would be needed to support the Revenue Budget as shown in Section 8. This option would leave £143,974 of New Homes Bonus uncommitted (this is £495,811 as above less the amount of £351,837 to support the Revenue Budget, as shown in Section 8).

4.5 Dartmoor National Park (DNP) – DNP have requested a share of the New Homes Bonus to reflect new homes delivered within the park. DNP would like NHB money to be used to support a local community fund and, for example, joint work through the rural housing enabler. The New Homes Bonus legislation says that Councils are expected to negotiate with National Park Authorities to recognise their role as the sole local planning authority for their area in granting planning permissions and that Councils should reach an agreement and split the funding from NHB at a locally determined rate.

Council agreed a process for transferring an element of NHB to DNP for the 2014/15 budget and it is recommended that this continues in 2015/16. Key conditions included the following:

- A one off payment is agreed on an annual basis based on actual completions.
- The allocation received by DNP is spent only within those parishes falling within the boundaries of the District Council.

4.6 On this basis the share of NHB due for DNP based on completed properties is summarised below:

	12/13 Paid £	13/14 Paid £	Payable for 14/15 £	Forecast for 15/16 £	Forecast for 16/17 £	Forecast for 17/18 £	Forecast for 18/19 £
Share of award	4,605	12,672	5,779	15,053	31,035	36,859	36,859

It is recommended that £5,779 representing the entitlement for 2014/15 is paid from the Council's 2015/16 NHB allocation.

5 THE 2015/16 BUDGET GAP

- 5.1 The budget gap based on the assumptions summarised in Section 2 above is predicted to be £408,000 for 2015/16. Appendix A provides the details.
- 5.2 This budget gap reflects the position without taking into account any T18 savings in 2015/16 as these savings are primarily needed to pay for the investment costs incurred in this year.

Income from Council Tax

- 5.3 Council agreed to raise council tax by 1.9% from 1 April 2014 to £145.42 for a Band D property for South Hams District Council. This amounted to a £2.71 increase on an average Band D property over a year equivalent to 5p a week. A 1% increase in Council Tax generates an extra £53,000 in extra income per annum.

A 1% rise in Council Tax generates £53,000 in extra income per annum:

Council Tax increase	Income generated (£)
1.0%	53,000
2.0%	106,000

Council Tax Support Grant

- 5.4 It is 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). At its meeting on 2 October 2014 Council agreed that this reduction should be passed on to the Towns and Parishes and their Council Tax Support Grant should be reduced by a similar amount. The District Council approved a grant distribution of £125,369 for 2014-15. A reduction in the grant allocation of 10% will decrease the budget gap by approximately £13,000. Appendix C illustrates the effect of this on an individual Parish basis.

Review of charges

- 5.5 On 13 November 2014, the Economy and Environment Scrutiny Panel considered a report on the review of fees and charges for 2015/16. The Panel recommended that charges would be frozen with the exception of those for licensing which would generate an additional £1,000.

The Economy and Environment Scrutiny Panel meet on 22 January 2015 and are due to make recommendations on trade waste charges.

New Homes Bonus

- 5.6 New Homes Bonus amounting to approximately £564,000 is currently used to support the revenue budget. It is suggested that the use of New Home Bonus in this way continues in 2015/16 in order to close the Budget Gap with a view to reversing this amount out in 2016/17 out when the savings from T18 materialise in full.

6. OTHER BUDGET CONSIDERATIONS

Discretionary Budget Bid - Citizens Advice Bureau (Outreach Project)

- 6.1 Members approved a "non-recurring" bid for £10,000 for additional funding for the CAB Outreach Project which provides a weekly advice service in Dartmouth, Ivybridge and Kingsbridge. Much of the advice covers housing, benefits and debt Issues and is managed in liaison with the Council's Community Team. **Members are requested to consider if they wish to renew this arrangement for 2015/16.**

7. RESERVES

Earmarked Reserves

- 7.1 The level and commitments for each reserve are kept under review each year to make sure the uncommitted balance is adequate for its purpose. The Earmarked Reserves are reviewed as part of the "budget scouring" exercise each year – this exercise is in progress at the moment. A schedule of Earmarked Reserves is attached at Appendix G.

General Fund Balance (un-earmarked revenue reserve)

- 7.2 Previous guidance from the Audit Commission suggested that the General Fund Balance should be between 5% and 10% of net operating expenditure. The Council's net operating expenditure is £9.2 million for 2015-16; so an appropriate balance would be in the region of £460,000 to £920,000.
- 7.3 The General Fund Balance stood at £1.707 million at 31st March 2014. It is predicted to be £1.606 million at 31 March 2015 (Appendix G). The Council's policy is that the General Fund Balance should be maintained at a minimum level of £1.5 million. Therefore, the Council is maintaining a prudent level of reserves.

- 7.4 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
 - The level of investment income used to support council tax arising from our reserves
 - Uncertainty over future Government funding
- 7.5 The Council can take comfort that our General Fund Balance stands above the minimum balance.

8. OPTIONS TO CLOSE THE BUDGET GAP

The following table demonstrates possible options to meet the 2015/16 budget: gap of £407,625 (Appendix D).

Option A – Freeze Council Tax	Amount (£)
Budget Gap as per Appendix D (includes Council Tax Freeze Grant on offer from Government of £57,789)	407,625
Reduction in Council Tax Support Grant for Town and Parish Councils (see 5.4)	-12,542
Additional requirement from New Homes Bonus	-395,083
TOTAL	0

This option would leave £100,728 of New Homes Bonus uncommitted (this is £495,811 as per 4.4 less the amount of £395,083 used to support the Revenue Budget).

Option B – Council Tax Increase of 1.9%	Amount (£)
Budget Gap as per Appendix D (includes Council Tax Freeze Grant on offer from Government of £57,789)	407,625
Reversal of Council Tax Freeze Grant	57,789
Council Tax increase (assuming an increase of 1.9% to the current Band D of £145.42 to £148.18 – an increase of £2.76)	-101,035
Reduction in Council Tax Support Grant for Town and parish Councils (see 5.4)	-12,542
Additional requirement from New Homes Bonus	-351,837
TOTAL	0

This option would leave £143,974 of New Homes Bonus uncommitted (this is £495,811 as per 4.4 less the amount of £351,837 used to support the Revenue Budget).

9. CAPITAL PROGRAMME

9.1 As part of the Medium Term Financial Strategy (MTFS), it is also 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.

9.2 A proposed three year Capital Strategy and Capital Programme is the subject of another report on this agenda.

10. LEGAL IMPLICATIONS

10.1 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.

10.2 The preparation of this MTF5 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.

11. FINANCIAL IMPLICATIONS

11.1 The report sets out an anticipated revenue budget gap for 2015/16 of approximately £408,000 (Appendices A and D).

12. RISK MANAGEMENT

12.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

13. OTHER CONSIDERATIONS

Corporate priorities engaged:	A balanced budget underpins the Council's capacity to deliver its corporate priorities
Statutory powers:	Local Government Act 1972, Section 151
Considerations of equality and human rights:	A 360 degree assessment of the equality implications will be carried out on all budget proposals for future years and any issues raised will be considered.
Biodiversity considerations:	None directly related to this report.
Sustainability considerations:	None directly related to this report.
Crime and disorder implications:	None directly related to this report.
Background papers:	<ol style="list-style-type: none"> 1. Report to Council on 13 February 2014 on 2014-15 Budget 2. Report to Executive on 11 September 2014 on the MTFs 2015/16 – 2018/19 3. Report to Economy and Environment Scrutiny Panel on 13 November 2014 on Review of Charges 4. Report to Executive on 11 December 2014 on the Revenue Budget Proposals for 2015/16 5. Meeting of the Joint Scrutiny Panels - 15 January 2015
Appendices attached:	<p>Appendix A - Modelling of the Financial Strategy</p> <p>Appendix B - Budget Pressures and Savings</p> <p>Appendix C – Council Tax Support Grant to Town and Parish Councils for 2015/16</p> <p>Appendix D - Revenue Summary</p> <p>Appendix E - Reserve Contributions</p> <p>Appendix F - Service Variations</p> <p>Appendix G - Schedule of Reserves</p>

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Robustness of medium term financial strategy and service blue-prints	<p>Not achieving financial savings as anticipated</p> <p>2015/16 will see a further significant reduction in formula funding</p> <p>External change to the national economic environment which may impact on our funding expectations.</p> <p>Implications of changes to the funding of local government through locally collected business rates and revenue support grant. Effect of the localisation of council tax.</p> <p>Achieving anticipated income targets in the current financial climate.</p>	4	4	16	↔	<p>Corporate engagement in the development of the medium term financial strategy.</p> <p>Service commitment to business planning processes.</p> <p>Robust horizon scanning to monitor changes in Government policy.</p> <p>The Council will continue to carry out modelling exercises to ascertain the effect of the new schemes on the Council's finances. Options for business rates pooling will be assessed.</p> <p>Monitoring of corporate income streams and revenue budgets.</p>	<p>Section 151 Officer</p> <p>Executive Director (SH)</p> <p>Executive Director (AR)</p> <p>Section 151 Officer</p> <p>Section 151 Officer</p>

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
2	Funding of the future Capital Programme	Availability of capital resources and options of using funding streams, such as New Homes Bonus	4	4	16	↔	<p>Review of potential opportunities to support further capital programme.</p> <p>One of the objectives of the Strategic Asset Review is to identify opportunities for the disposal of assets and the generation of capital receipts.</p>	<p>Executive Directors, Section 151 Officer</p> <p>Executive Directors, Section 151 Officer</p>
3	Setting a lawful budget	Failure of the Council to set a lawful budget	5	1	5	↔	<p>The Budget is compiled in accordance with best practice guidelines issued by CIPFA and the Government. The final budget report includes an assessment from the Section 151 Officer on the adequacy of the Council's reserves and the robustness of the estimates made for the purpose the budget calculations.</p> <p>The budget process is laid down in the Council's Constitution. Executive and Council meetings are timetabled to meet the Statutory deadlines for setting the Council Tax.</p>	Section 151 Officer

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
4	Income from business rates	Income from Business Rates Is subject to volatility both from business rating appeals and from the economic climate.	5	3	15	↔	The position will be monitored by the Section 151 Officer The quarterly Revenue Budget Monitoring reports will monitor Business Rates income against projections. Any variances will be highlighted to Members at an early stage.	Section 151 Officer
5	Corporate Priorities	Failure to target budgets to service priorities	5	1	5	↔	The budget is subjected to extensive consultation with all Members, the public and the business community. Adequate levels of appropriately trained staff. Monthly monitoring of performance to management, quarterly to the Executive.	Section 151 Officer

Direction of travel symbols ↓ ↑ ↔

	Base 2014/15 £ '000	Yr1 2015/16 £ '000	Yr2 2016/17 £ '000	Yr3 2017/18 £ '000	Yr4 2018/19 £ '000
Baseline Data					
Base budget brought forward	9,028	9,028	8,839	8,469	8,241
Reverse New Homes Bonus funding of the revenue budget of £564,043			564		
Income & Expenditure Variations					
Budget Pressures (Appendix B)		2,513	472	473	427
Budget Savings (Appendix B)		(2,170)	(3,089)	(145)	(201)
Reduction in Council Tax Support Grant for Town & Parish Councils		TBA			
Review of charges/ additional income (Appendix B)		(124)	(100)	(100)	(100)
Projected Expenditure:	9,028	9,247	6,686	8,697	8,367
FINANCING: -					
Government Grant					
Business Rate Retention Income	1,717	1,952	1,967	2,022	2,088
Revenue Support Grant	1,979	1,406	1,032	719	429
Council Tax Freeze Grant		58	58	58	58
Council Tax income	5,272	5,323	5,352	5,382	5,411
Surplus on Collection Fund	60	100	60	60	60
Projected Income :	9,028	8,839	8,469	8,241	8,046
Budget gap per year (Projected Expenditure less Projected Income)	0	408	(1,783)	456	321

4 year cumulative budget surplus (598)

KEY ASSUMPTIONS	Base 2014/15	Yr1 2015/16	Yr2 2016/17	Yr3 2017/18	Yr4 2018/19
Inflation: General Expenditure		2.0%	2.0%	2.0%	2.0%
Review of fees & charges		TBA	2%	2%	2%
Interest rates		0.60%	1.25%	1.75%	2.25%
Pay Award		1%	1%	1%	1%
Government Grant	£ 3,696,000	£ 3,358,000	£ 2,999,000	£ 2,741,000	£ 2,517,000
Pension revaluation - increased employer contributions		0.0%	0.0%	1.0%	1.0%
Council Tax Base : assume increase of 200 properties per year for 2016/17 and thereafter	36,250.26	36,606.88	36,806.88	37,006.88	37,206.88
Assumed Council Tax increase					
Council Tax - Band D (£)	145.42	145.42	145.42	145.42	145.42

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	Yr1 2015/16 £ '000	Yr2 2016/17 £ '000	Yr3 2017/18 £ '000	Yr4 2018/19 £ '000
BUDGET PRESSURES				
Transformation Project (T18) - see December 2014 Executive report <i>Contribution to Strategic Change Reserve to meet redundancy and pension costs (offset by savings highlighted below)</i>	1,372			
<i>Net contribution to T18 Reserve to meet other non-recurring costs (offset by savings highlighted below)</i>	578			
Inflation on expenditure	315	275	285	290
Car Parks - review of income target	50			
Dartmouth Ferry - review of income target	50	50	50	
Triennial Pension revaluation	5	7	100	100
Leisure contract - profiled increase	36			
Reversal of vacancy provision		100		
Reversal of Shared Services Target	55			
Council Tax Support Admin Grant - reduction	11	10	8	7
Housing Benefit Admin Grant - reduction	41	30	30	30
TOTAL BUDGET PRESSURES	2,513	472	473	427
DISCRETIONARY BID - Citizens Advice Bureau; Outreach Worker	10			
BUDGET SAVINGS				
Transformation Project (T18) - see December 2014 Executive report		-2,963	-65	-131
<i>Staff/Travel</i>	-1,425			
<i>Delivery Unit</i>	-305			
<i>IT Software</i>	-47			
<i>Accommodation - reduced running costs</i>	-50			
Strategic Waste Review (EE.16/13 & Council 30/13)	-150			
Leisure Contract - profiled reduction		-5		
Extra income on investments from a predicted rise in interest rates	-13	-121	-80	-70
Housing Benefits - increased recoveries	-18			
Additional income from planning applications	-50			
Reduction in inflation provision	-55			
Visit South Devon - termination of grant aid	-15			
Housing Rents - increased contribution towards running costs	-15			
Reduction in external audit fees	-12			
Employment Estates - additional income	-10			
Saving on new bank contract	-5			
TOTAL BUDGET SAVINGS	-2,170	-3,089	-145	-201
ADDITIONAL INCOME				
Review of charges	-1	-100	-100	-100
Transformation Project (T18) - see December 2014 Executive report <i>Leasing of workstations to West Devon Borough Council</i>	-70			
<i>Income from letting of accommodation</i>	-53			
	-124	-100	-100	-100

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South Hams District Council				APPENDIX C
Council Tax Support Grant For Towns & Parishes				
Parish/Town	Council Tax Support Grant allocation for 2014/15	Illustrative Grant Reduction of 10.00%	Indicative Council Tax Support Grant allocation for 2015/16	
	£	£	£	
1 Ashprington	159	16	143	
2 Aveton Gifford	967	97	870	
3 Berry Pomeroy	725	73	652	
4 Bickleigh	3,706	371	3,335	
5 Bigbury	270	27	243	
6 Blackawton	732	73	659	
7 Brixton	1,177	118	1,059	
8 Buckfastleigh West	119	12	107	
9 Buckland-Tout-Saints	68	7	61	
10 Charleton	243	24	219	
11 Chivelstone	134	13	121	
12 Churchstow	201	20	181	
13 Cornwood	1,066	107	959	
14 Cornworthy	101	10	91	
15 Dartington	1,613	161	1,452	
16 Dartmouth	11,467	1,147	10,320	
17 Dean Prior	183	18	165	
18 Diptford	156	16	140	
19 Dittisham	276	28	248	
20 East Allington	774	77	697	
21 East Portlemouth	221	22	199	
22 Ermington	647	65	582	
23 Frogmore & Sherford	529	53	476	
24 Halwell & Moreleigh	257	26	231	
25 Harberton	689	69	620	
26 Harford	27	3	24	
27 Holbeton	265	27	238	
28 Holne	214	21	193	
29 Ivybridge	27,353	2,735	24,618	
30 Kingsbridge	11,567	1,157	10,410	
31 Kingston	277	28	249	
32 Kingswear	1,071	107	964	
33 Littlehempston	137	14	123	
34 Loddiswell	1,338	134	1,204	
35 Malborough	1,030	103	927	
36 Marldon	935	94	841	
37 Modbury	1,729	173	1,556	
38 Newton & Noss	1,537	154	1,383	
39 North Huish	54	5	49	
40 Rattery	297	30	267	
41 Ringmore	100	10	90	
42 Salcombe	2,273	227	2,046	
43 Shaugh Prior	767	77	690	
44 Slapton	296	30	266	
45 South Brent	4,160	416	3,744	
46 South Huish	91	9	82	
47 South Milton	226	23	203	
48 South Pool	101	10	91	
49 Sparkwell	925	93	832	
50 Staverton	642	64	578	
51 Stoke Fleming	830	83	747	
52 Stoke Gabriel	863	86	777	
53 Stokenham	1,550	155	1,395	
54 Strete	465	47	418	
55 Thurlestone	509	51	458	
56 Totnes	33,732	3,373	30,359	
57 Ugborough	836	84	752	
58 Wembury	622	62	560	
59 West Alvington	292	29	263	
60 Woodleigh	12	1	11	
61 Yealmpton	1,766	177	1,589	
	125,369	12,542	112,827	

If you have any queries on the information shown above, please contact Angela Endean on 01803 861480 or email angela.endean@southhams.gov.uk

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SUMMARY OF REVENUE EXPENDITURE

Estimate 2014/2015 (At outturn prices)	SERVICE EXPENDITURE ANALYSIS	Estimate 2015/16 (at outturn prices)		
		Gross Expenditure	Income	Net Expenditure charged to General Fund
£		£	£	£
883,400	Central Services	1,680,100	(786,100)	894,000
1,365,900	Corporate and Democratic Core	1,385,500	(36,600)	1,348,900
2,139,200	Cultural and Related Services	2,492,500	(313,300)	2,179,200
5,754,800	Environmental Services	7,976,800	(2,347,100)	5,629,700
(1,624,700)	Highways, Roads and Transport Services	2,359,300	(3,868,600)	(1,509,300)
1,019,000	Housing Services	23,059,300	(22,032,000)	1,027,300
372,400	Non Distributed Costs	380,400		380,400
1,082,800	Planning and Development services	3,637,100	(2,607,100)	1,030,000
	Provision for pay award (covers 2014/15 & 2015/16)	241,000		241,000
	Provision for savings from Transformation (T18) Project	(1,827,000)	(123,000)	(1,950,000)
125,370	Council Tax Support Grant - payable to Town & Parish Councils	125,370		125,370
11,118,170		41,510,370	(32,113,800)	9,396,570
(100,000)	Vacancy provision	(100,000)		(100,000)
	Non recurring items funded from reserves:			
7,000	TAP (Elector) Fund	7,000		7,000
10,000	Discretionary Bid - CAB	10,000		10,000
(55,100)	Shared Services Target			0
135,000	Inflation	80,000		80,000
11,115,070	NET COST OF SERVICES	41,507,370	(32,113,800)	9,393,570
	FINANCING AND INVESTMENT INCOME & EXPENDITURE			
(110,000)	Interest receivable (investment income)		(123,000)	(123,000)
23,400	Income and expenditure in relation to investment properties	85,500	(58,300)	27,200
	ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS			
(1,933,000)	Reversal of depreciation	(1,933,000)		(1,933,000)
(500,000)	Reversal of pension costs (IAS 19)	(500,000)		(500,000)
432,257	CONTRIBUTIONS TO/ (FROM) RESERVES	2,963,300	(581,043)	2,382,257
9,027,727	AMOUNT TO BE FUNDED FROM TAXATION AND NON-SPECIFIC GOVERNMENT GRANTS	42,123,170	(32,876,143)	9,247,027
	FINANCED BY:			
	Government Grant:			
(1,978,816)	Revenue Support Grant (RSG)		(1,406,241)	(1,406,241)
(1,717,398)	Business Rates		(1,952,000)	(1,952,000)
	Council Tax Freeze Grant		(57,789)	(57,789)
(5,271,513)	Council Tax		(5,323,372)	(5,323,372)
(60,000)	Collection Fund Surplus		(100,000)	(100,000)
0	BALANCE - (SURPLUS)/DEFICIT	42,123,170	(41,715,545)	407,625
145.42	Band D Council Tax	145.42		
36,250.26	Council Tax Base	36,606.88		407,625

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ANALYSIS OF CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES

Estimate 2014/15			Estimate 2015/16	
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	
	(574,043)	New Homes Bonus		(574,043)
20,800		Pay & Display Equipment	20,800	
99,000		Pension Fund Strain Payments	99,000	
55,000		Repairs and maintenance	55,000	
	(7,000)	Strategic Change Reserve	1,372,000	
		Strategic Issues		(7,000)
		Transformation (T18) Reserve	578,000	
541,000		Vehicles & Plant Renewals	541,000	
2,000		Interest credited to reserves	2,000	
1,013,300	(581,043)	TOTALS	2,963,300	(581,043)
432,257		GRAND TOTAL	2,382,257	

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Central Services		
		£
Estimate 2014-15		883,400
Reduction in allocation of Council Tax Support Admin Grant		11,000
Net reduction in insurance premium		(400)
Estimate 2015-16		894,000
<i>Check Budget Summary</i>		<i>894,000</i>
		0
Corporate and Democratic Core		
Estimate 2014-15		1,365,900
Reduction in external audit fees		(12,000)
Reduction re new bank contract		(5,000)
Estimate 2015-16		1,348,900
<i>Check Budget Summary</i>		<i>1,348,900</i>
		0
Cultural and Related Services		
Estimate 2014-15		2,139,200
Leisure Contract - contract payment uplift including inflation		36,300
Visit South Devon - grant funding withdrawn		(15,000)
Other inflation		18,700
Estimate 2015-16		2,179,200
<i>Check Budget Summary</i>		<i>2,179,200</i>
		0
Environmental Services		
Estimate 2014-15		5,754,800
Inflation		25,900
Strategic Waste Review		(150,000)
Review of charges		(1,000)
Estimate 2015-16		5,629,700
<i>Check Budget Summary</i>		<i>5,629,700</i>
		0
Highways		

Estimate 2014-15		(1,624,700)
Car Parks - reduction in target income		50,000
Lower Ferry - reduction in target income		50,000
Inflation		15,400
Estimate 2015-16		(1,509,300)
<i>Check Budget Summary</i>		<i>(1,509,300)</i>
		0
Housing		
Estimate 2014-15		1,019,000
Reduction in allocation of HB Admin Grant as advised by DWP		41,000
Additional Housing Benefit Recoveries etc.		(18,000)
Increased rent recovery		(15,000)
Reduction in Government Grant		(1,600)
Inflation		1,900
Estimate 2015-16		1,027,300
<i>Check Budget Summary</i>		<i>1,027,300</i>
		0
Non Distributed Costs		
Estimate 2014-15		372,400
Pension Revaluation -additional deficit payment		5,000
Inflation		3,000
		380,400
Estimate 2015-16		380,400
<i>Check Budget Summary</i>		<i>0</i>
Planning & Development		
Estimate 2014-15		1,082,800
Planning - additional income		(50,000)
Employment estates - additional income		(10,300)
Inflation		7,500
Estimate 2015-16		1,030,000
<i>Check Budget Summary</i>		<i>1,030,000</i>
		0

RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)					
			Opening balance	Projected Balance	
		Annual Contribution	1 April 2014	31 March 15	Comments
		£000	£000	£000	
EARMARKED RESERVES					
Code	Specific Reserves - General Fund				
0631	Capital Programme	182	977	282	Reduction due to capital commitments
0633	Revenue Grants		356	356	Comprises grants with no repayment conditions - created as a result of International Financial Reporting Standards (IFRS)
0634	Rural Services Support Funding		37	37	Grant funding from DCLG
0635	Affordable Housing		102	103	
0638	Renovation Grant Reserve		37	37	Comprises proceeds from repayments
0639	New Homes Bonus		698	0	
0641	Business Rates Retention		1,023	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.
0645	Strategic Issues		379	81	T18 investment costs (£225k). E45/14 refers.
0650	Community Parks and Open Spaces	17	105	104	
0655	Community Well-being		44	0	Balance transferred to Economic Initiatives Reserve. Annual contribution ceased in 2014/15
0665	Repairs & Maintenance	55	343	331	
0667	Marine Infrastructure		1	19	A new reserve for the maintenance of marine assets
0670	Land and Development		196	127	Includes commitments for condition surveys and feasibility studies
0675	Ferry Repairs & Renewals	87	176	263	
0680	Economic Initiatives		112	141	N.B. £98k earmarked for RDP Local Action 2015-2020. E21/14 refers
0685	Vehicles & Plant Renewals	541	1,236	1,724	Will be used for programmed vehicle replacements in 2015/16.
0690	Pay & Display Equipment Renewals	21	19	40	
0695	On-Street Parking		44	44	
0696	T18 Investment Reserve		935	0	A new reserve for T18 investment costs. Council Minute 34/13 refers
0700	Print Room Equipment		76	76	
0705	ICT Development		350	141	
0710	Sustainable Waste Management		72	0	
0720	District Elections	10	58	68	
0725	Beach Safety		17	14	
0730	Planning Policy & Major Devpts		671	407	Staffing and other commitments e.g. Our Plan
0735	Building Control		187	165	
0740	Section 106 Deposits		37	37	Comprises deposits with no repayment conditions - created as a result of IFRS
0830	Members Sustainable Community Locality		48	0	
Sub Total		913	8,336	4,597	
GENERAL RESERVES					
0765	General Fund Balance (Accumulated Surplus)		1,707	1,606	
TOTAL REVENUE RESERVES			10,043	6,203	

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NOT FOR PUBLICATION

*EXEMPT INFORMATION – By virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person including the authority holding that information. Note that 'person' may include a corporate body.
(Applies to Appendices B and C)*

AGENDA
ITEM

9

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

9

NAME OF COMMITTEE	Executive
DATE	29 January 2015
REPORT TITLE	Capital Budget Proposals for 2015/16 – 2017/18
Report of	Finance Community of Practice Lead
WARDS AFFECTED	All

Summary of report:

To summarise the Capital Programme proposals of £2,875,000 for 2015/16.

Financial implications:

The Council has severely limited resources, in the form of capital receipts, to fund Capital Projects in 2015/16. The report sets out Capital Bids to the 2015/16 Capital Programme totalling £2,875,000 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, value for money and affordability tests (before commitment to finance) as set out in the Council's Asset Strategy.

RECOMMENDATIONS:

The Executive resolves to recommend to Council:

To approve the Capital Programme Proposals for 2015/16 totalling £2,875,000, being £1,755,000 (bids set out in Appendix A) and £1,120,000 (further bids set out in Appendix C).

Officer contact:

Lisa Buckle, Finance Community of Practice Lead, lisa.buckle@swdevon.gov.uk
Tel: 01803 861413

1. BACKGROUND

- 1.1 The Council meeting on 13th February 2014 (50/13) approved the current capital programme for 2014/15.
- 1.2 A new Capital Programme is proposed for 2015/16. The Head of Finance invited bids for capital funding from all service areas, for a new capital programme during September 2014 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.
- 1.3 The submitted capital bids have now been assessed against the categories in each priority. Priority 1 categories include statutory obligations (e.g. Health and Safety, DDA etc) and other capital works required to ensure the existing Council's 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.
- 1.4 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.
- 1.5 The Strategic Assets Review (SAR) will provide a comprehensive review of each asset class and undertake a locality based assessment challenging the retention of each individual asset. Underperforming or surplus assets will be considered within the disposal programme. The overall outcome will be the creation of capital receipts and a reduction of property running costs to the Council.
- 1.6 Consideration needs to be given to the funding options for the 2015/16 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.
- 1.7 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.
- 1.8 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.

2 PROPOSED CAPITAL PROGRAMME FOR 2015/16

2.1 Appendix A sets out bids to the Capital Programme for 2015/16, totalling £1,755,000. There are further bids for strategic capital projects totalling a further £1,120,000 as set out in Appendices B and C.

2.2 Capital Investment in Existing Property Assets

2.2.1 Ivybridge Depot

The depot has seen a significant increase in vehicle numbers and traffic movements during recent years. Resurfacing of major traffic areas is now required including improvements to the sub base.

2.2.2 Follaton House

Roofing repairs are required on the Old House which includes the localised replacement of defective slate and lead valleys. Defective guttering on Phases 1, 2 and 3 also needs replacing.

2.2.3 Leisure Centres

The Council is moving towards the end of the Tone Leisure contract in December 2016. There are no specific projects requiring capital funding at this stage. A generic contingency sum (£150,000) for all 4 centres is being created to allow for any major repairs that may become essential to keep the centres operational until December 2016.

The Joint Strategic Leisure Group (Members and Officers) has received an options report from RPT Consulting indicating a potential requirement for capital investment in 2016/17 (either by the contractor or by the Council), subject to a full business case and an assessment of prudential borrowing, to reduce the overall revenue requirement. There is a separate report regarding this item on the agenda.

2.2.4 Torr Stream, Rockdale Road, Yealmpton

There is a requirement to reprofile the stream at Rockdale Road. The existing stream channel is formed out of dry stone walling which has failed despite regular maintenance and re-building. It is in SHDC ownership but runs adjacent to private back gardens. The construction of a more robust stream channel would reduce annual maintenance costs and prevent claims from third parties in times of flood. Although this project could be approved under delegated powers, it is shown here for completeness and to set out how the project will be financed.

2.2.5 Coastal Asset Repairs

Historically maintenance of coastal assets has been on a reactive basis. At a time of ever increasing frequency and severity of storms, a rolling plan of maintenance is required to reduce the risk of asset failure. This would retain the current level of coast protection for all SHDC owned coastal protection assets, and those which are the responsibility of SHDC to maintain, irrelevant of ownership.

On 13 November 2014, the Economy and Environment Scrutiny Panel considered a report on managing coastal change and assets. An extract of the report is below:

SHDC owned Coastal Assets Review As has been reported previously SHDC owns over 130 assets along the coast and estuaries. These have been subject to ongoing management over the decades and more recently been subject to a comprehensive assessment of condition. The initial analysis reveals an estimated expenditure pressure as set out in the table below

Years	2015 -2019	2020 - 2024	2025 - 2029	2030 - 2034
Estimated Expenditure	£1.5m	£2.5m	£631,000	£941,000

On this basis, a five year planned programme for coastal repairs is proposed of £300,000 per annum, based on the marine survey.

2.2.6 Dartmouth Town Jetty

The landing pontoon for passengers arriving and departing the Town Jetty is made up of pontoons owned by both the Council and Dart Harbour Authority (DHA). All the pontoons are now 'end of life' and they are being replaced by DHA. The Council will have to reimburse DHA for the two pontoons in its ownership.

2.3 Affordable Housing

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

2.4 Improvement 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.

The Environmental Health service has secured an average saving of approximately 24% (£1,000) on each standard Level Access Shower, through the development, procurement and implementation of a framework agreement across Devon and Cornwall.

Although it is impossible to predict demand for grants, it is proposed to reduce the budget from £650,000 in 2014/15 to £600,000 for the next three years in view of the savings on unit cost.

The Council's Better Care allocation in the sum of £366,000 will support these grants, the remaining balance being funded from New Homes Bonus.

2.5 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.

3 PROPOSED CAPITAL PROGRAMME FOR 2015/16 – EXEMPT ITEMS

3.1 Appendices B and C detail additional strategic capital bids which have been placed in Part 2 of the Agenda due to commercial sensitivity.

3.2 These strategic project bids to the Capital Programme total £1,120,000 in Exempt Appendices B and C. These will be subject to detailed feasibility and financial appraisal techniques (gateway review), following the results of the initial feasibility investigations and condition surveys. This is as set out in the Council's asset strategy.

4 CONCLUSION

4.1 The Capital Programme includes the items of expenditure deemed as essential in accordance with the approved Asset Strategy and other non asset based investments.

4.2 Regular monitoring of the programme will enable progress to be checked and where slippage is occurring, or projects cannot be progressed, other projects which subsequently emerge could be considered as potential replacement projects.

5 FINANCING THE CAPITAL PROGRAMME 2015/16

- 5.1 A summary of the Capital Bids received for 2015/16 is shown in Appendix A. The table below shows the recommended way that these projects are financed:-

Capital Programme 2015/16 (Appendix A bids)	£'000
Capital Programme Reserve (£463k available)	125
Capital Receipts	800
Government Grant funding towards Disabled Facilities Grants	366
New Homes Bonus – for housing projects and disabled facilities grants	464
TOTAL	1,755

- 5.2 There are further strategic capital bids totalling £1,120,000. The table below shows the recommended way that these projects are financed:

Capital Programme 2015/16 (Appendix C bids)	£'000
Capital Programme Reserve (£463k available)	338
Capital Receipts	701
Strategic Issues Earmarked Reserve (£306K available – recommended to use £225K for the T18 Updated Business Case – leaving £81K available for use.)	81
TOTAL	1,120

- 5.3 The capital bids within the 2015/16 Capital Programme Proposals (£2,875,000) would utilise all of the Council's available capital resources for 2015/16 if approved.

6. LEGAL IMPLICATIONS

- 6.1 The Executive is responsible for the control of the Council's capital expenditure. The Finance Community of Practice Lead is responsible for providing capital monitoring reports to the Executive, detailing the latest position of the Council's Capital Programme.

- 6.2 Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from the Executive.
- 6.3 Final commitment to finance any of the projects in Appendix C will be dependent on a project appraisal and a robust business plan.
- 6.4 Appendices B and C have been placed in Part 2 of the Agenda due to commercial sensitivity. An assessment has been carried out as to whether the public interest in withholding this information from the public domain outweighs the public interest in disclosing it. It was assessed that maintaining the confidentiality of the commercially sensitive information relating to various bodies outweighed the public interest in disclosure of the same.

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications are set out in the report. The capital bids within the Capital Programme for 2015/16 require funding of £2,875,000.
- 7.2 The Capital Programme includes the items of expenditure deemed as essential in accordance with the approved Asset Strategy and other non asset based investments.
- 7.3 Regular monitoring of the programme will enable progress to be checked, and where slippage is occurring, or projects cannot be progressed, other projects, which subsequently emerge could be considered as potential replacement projects.

8. RISK MANAGEMENT

- 8.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

9. OTHER CONSIDERATIONS

Corporate priorities engaged:	The report meets all the corporate priorities as they are all implicit within the budget setting process.
Statutory powers:	Local Government Act 1972, Section 151
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:	Report to and minute 50/13 of South Hams District Council on 13 February 2014. Capital Monitoring Report to Executive on 23 October 2014 Capital Budget Proposals 2015/16 to Executive on 11 December 2014
Appendices attached:	Appendix A – Summary of Capital Bids for 2015/2016 EXEMPT – Appendix B – Additional Capital Bids for 2015/2016 EXEMPT – Appendix C – Summary of Additional Capital Bids for 2015/2016

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Council Priorities	Meeting existing Council priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities	4	2	8	↔	This requires a project appraisal for each proposal. This needs to be taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period.	SMT
2	Funding of the future Capital Programme	Availability of capital resources and options of using funding streams, such as New Homes Bonus	4	4	16	↔	Review of opportunities to support further capital programme. One of the objectives of the Strategic Asset Review is to identify opportunities for the disposal of assets and the generation of capital receipts.	Executive Directors, S151 Officer
3	Providing value for money	The Council must demonstrate that capital investment contributes to corporate priorities, provides value for money and takes account of the revenue implications of the investment.	4	2	8	↔	Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.	S151 Officer
4	Cost overruns	Risk of cost overruns on the Capital Programme.	5	2	10	↔	There is regular quarterly monitoring of the Capital programme to Members where any cost overruns are identified at any early stage. There is a contingency budget suggested within the Capital Programme of £300,000.	S151 Officer

Direction of travel symbols ↓ ↑ ↔

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Proposed Capital Projects 2015/16 - 2017/18 - PART I							
Priority Criteria							
Statutory Obligations		1	Compliance, H&S, DDA				
		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				
		5	Strategic Asset Review Project				
Service	Site	Project	Lead officer	Proposed 2015/16 £'000	Proposed 2016/17 £'000	Proposed 2017/18 £'000	Priority code / notes
Car Parks	Batson Boat Park Salcombe	Resurface	TF CA		50		1,2
Depots	Ivybridge	Resurface yard		75			1,2
Employment Estates and other properties	Whitestrand Salcombe	Create new town square	CB		75		1,5
	Ermington Mill	Repairs to external walls, electrics and install new fire panel	SF TF		65		1,2
	Ermington Workshops	Units 1,5,6,7,10 wall and window repairs	TF		21		1,2
HQ	Follaton House	Refurbishment of roof to old house and replacement guttering	TF	50	50	50	1,2
		Upgrade electrical distribution boards	TF			20	1
		Refurbish Phase 1 lift	TF			45	1
		Refurbish Phase 2 lift	TF			45	1
		Alterations to ground floor offices to create additional lettable space	SF			50	4,5

Leisure Centres	All Leisure Centres	Contingency for Major Repairs	TF	150			2
Engineering	Torr Stream Rockdale Road Yealmpton	Reprofile stream to avoid ongoing maintenance and claims from adjacent owners on flooding	CB	20			1
	SHDC Coastal Assets Repairs	5 year planned prog based on marine survey	CB	300	300	300	1
	Dartmouth Town Jetty	Replacement Pontoon	CB	30			1,2
Affordable Housing	Projects	Various	LR	230	230	230	
Disability Facility Grants			DP	600	600	600	1
Sub Total				1,455	1,391	1,340	
Contingency				300	300	300	
Totals				1,755	1,691	1,640	

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AGENDA
ITEM
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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM
10

NAME OF COMMITTEE	Executive
DATE	29 January 2015
REPORT TITLE	Revenue Budget Monitoring 2014/15
Report of	Finance Business Partner
WARDS AFFECTED	All

Summary of report:

This report enables Members to monitor income and expenditure variations against the approved budget for 2014/15, and provides a forecast for the year end position.

Financial implications:

The report identifies an overall deficit of £30,000, which is 0.3% of the overall budget set for 2014/15 of £9.028 million.

RECOMMENDATION:

That the Executive **RESOLVES** to note the forecast income and expenditure variations for the 2014/15 financial year.

Officer contact:

Pauline Henstock, Finance Business Partner.

pauline.henstock@swdevon.gov.uk

1. BUDGET OVERVIEW

The gross service expenditure budget for 2014/15 was set at £45 million (£9.028 million net). **Actual net revenue expenditure is forecast to be over budget by £30,000 when compared against the total budget set for 2014/15.**

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

TABLE 1: 2014/15 BUDGET FORECAST

	2014/15 Budget expenditure /(income) £000	Budget variations increase/ (decrease) £000	£000	Note
APPROVED BUDGET			9,028	
Reductions in expenditure/additional income				
Planning Applications (income)	(650)	(225)		A
Housing Benefit Recoveries	(150)	(75)		B
Investment Income	(110)	(20)		C
Tourism	15	(15)		D
<i>Sub total of variations</i>			(335)	
Increases in expenditure/reductions in income				
Dartmouth Lower Ferry (income)	(957)	150		E
Target for savings from Shared Services and vacancies	(155)	95		F
Car Parks (income)	(2,972)	50		G
Public Conveniences	799	40		H
Waste Management	2,753	30		I
<i>Sub total of variations</i>			365	
PROJECTED OUTTURN			9,058	
PROJECTED (SURPLUS)/DEFICIT			30	

Notes

- A. **Planning** – planning application numbers remain fairly consistent however, the number of application which attract a large planning fee, such as renewable energy applications, has increased leading to the higher income. The number of these types of application received is unpredictable and cannot easily be projected.
- B. **Housing Benefit** – additional recoveries of over-payments (budgeted expenditure for Housing Benefit in 2014/15 is £21 million).
- C. **Investment Income** – slightly better return achieved of 0.54% than budgeted (0.50%) and more favourable cashflows.
- D. **Tourism** - the Council no longer requires a seat on the Board of Visit South Devon and is therefore withdrawing financial support to them.
- E. **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 £150,000 is forecast.
- F. **Vacancy provision/Shared Services** - Members are aware that significant salary savings will be forthcoming from the implementation of the T18 project. However, in the short term, there are additional costs arising from the temporary deployment of agency staff to cover vacancies. In the longer term, this is a more cost effective approach than permanently filling posts.
- G. **Car Parks** – car parking income is anticipated to be below its income target by £50,000. The Council has been addressing budget under-performances through a realignment exercise over a period of time. The income target from car parking has been reduced by £50,000 per annum for 2014/15 and 2015/16, based on trends over the last three years.
- H. **Public Conveniences** – The anticipated saving which will be made on the public conveniences budget this year will be £40,000. This is lower than the budgeted saving of £80,000 for the following reasons:
- Income from the pay on entry pilot schemes has not been achieved in this financial year. Whilst quotes have been gathered and the feasibility of installation have been scoped with our Assets team we were unable to introduce the equipment in advance of the main tourist season. Rather than do this mid season it was recommended that this was programmed for the 2015 summer season which also allows time for the communities who have suggested they are suitable to test the pilot equipment to advise their wider communities and identify any further pilot sites.

- A number of parishes have requested full asset transfer as part of the discussions on seasonal closure; the Council had committed to maintain these toilets during this financial year whilst transfers took place. The pay back to the Council from 2015 onwards is well in excess of that which would have been achieved as part of the original seasonal closure plans.
 - Anticipated savings on seasonal utility costs are proving to be lower than projected. This is having an impact in year 1 however the work which has been conducted on reviewing the number of toilet rounds/number of cleans will be extended in 2015/16 to meet the anticipated saving on a permanent basis in future financial years. This could only be based upon an estimate in Year 1.
- I. **Waste Management** – The Strategic Waste Review actions for the South Hams Collection Service have been agreed. The major procurement for the sale of dry recycling materials is now complete and the new contract started on 1 October 2014. Subject to market prices and the level of contamination of recycling materials, the saving for the waste review in 14/15 will be £110,000 (Budgeted 14/15 saving was £140,000). Interim materials sales solutions have already increased income during this financial year. There is a reduction in the original saving estimated due to the decision made to delay property day changes until the autumn of 2015 when we will have our new fleet in place and the support officer capacity to deliver this customer change effectively and efficiently.

2. PRUDENTIAL INDICATORS

The prudential code indicators were approved in the Treasury Management Strategy report to the Executive on 6 March 2014. 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.

3. INCOME AND RESERVES

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

Service	Actual Income 2013/14 £'000	Income Budget 2014/15 £'000	Projected Income 2014/15 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	2,879	2,972	2,922	50	1.7%
Dartmouth Ferry	678	957	807	150	15.7%
Employment Estates	1,299	1,293	1,293	-	-
Licensing	222	224	224	-	-
Planning Applications	782	650	875	-225	-34.6%
Trade Waste	707	724	724	-	-
TOTAL	6,567	6,820	6,845	-25	-0.4%

The decision on the level of balances and reserves is taken during the formulation of the annual budget and the medium term financial strategy. As a matter of prudence the Council has set aside various amounts in reserves to cover future liabilities and items of expenditure and these are attached as Appendix A.

4. LEGAL IMPLICATIONS

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.

There are no legal implications arising from this report.

5. RISK MANAGEMENT

The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

6. OTHER CONSIDERATIONS

Corporate priorities engaged:	Sound financial management underpins all of the Council's corporate priorities.
Statutory powers:	Local Government Act 1972, Section 151 Local Government Act 2003, Section 28
Considerations of equality and human rights:	There are no implications arising from this report.
Biodiversity considerations:	There are no implications arising from this report.
Sustainability considerations:	There are no implications arising from this report.
Crime and disorder implications:	There are no implications arising from this report.
Background papers:	Executive 23 October – Revenue Budget Monitoring report 2014/15
Appendices attached:	A - Reserves

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Budget Variances	The financial standing of the Council is put at risk through variations in income and expenditure that are not detected at an early stage.	4	2	8	↔	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.	Senior Management Team
2	Resource Planning	The Council must demonstrate that it sets budgets in line with corporate priorities and provides value for money.	4	2	8	↔	Consideration of revenue budget variances provides a mechanism for the identification of cost pressures and income opportunities that can be reflected in the Council's Medium Term Financial Strategy.	S151 Officer

Direction of travel symbols ↓ ↑ ↔

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RESERVES - PROJECTED BALANCES (EXCLUDES SALCOMBE HARBOUR)					
			Opening balance	Projected Balance	
		Annual Contribution	1 April 2014	31 March 15	Comments
		£000	£000	£000	
EARMARKED RESERVES					
Code	Specific Reserves - General Fund				
0631	Capital Programme	182	977	282	Reduction due to capital commitments
0633	Revenue Grants		356	356	Comprises grants with no repayment conditions - created as a result of International Financial Reporting Standards (IFRS)
0634	Rural Services Support Funding		37	37	Grant funding from DCLG
0635	Affordable Housing		102	103	
0638	Renovation Grant Reserve		37	37	Comprises proceeds from repayments
0639	New Homes Bonus		698	0	
0641	Business Rates Retention		1,023	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.
0645	Strategic Issues		379	81	T18 investment costs (£225k). E45/14 refers.
0650	Community Parks and Open Spaces	17	105	104	
0655	Community Well-being		44	0	Balance transferred to Economic Initiatives Reserve. Annual contribution ceased in 2014/15
0665	Repairs & Maintenance	55	343	331	
0667	Marine Infrastructure		1	19	A new reserve for the maintenance of marine assets
0670	Land and Development		196	127	Includes commitments for condition surveys and feasibility studies
0675	Ferry Repairs & Renewals	87	176	263	
0680	Economic Initiatives		112	141	N.B. £98k earmarked for RDP Local Action 2015-2020. E21/14 refers
0685	Vehicles & Plant Renewals	541	1,236	1,724	Will be used for programmed vehicle replacements in 2015/16.
0690	Pay & Display Equipment Renewals	21	19	40	
0695	On-Street Parking		44	44	
0696	T18 Investment Reserve		935	0	A reserve for T18 investment costs. Council Minute 34/13 refers
0700	Print Room Equipment		76	76	
0705	ICT Development		350	141	
0710	Sustainable Waste Management		72	0	
0720	District Elections	10	58	68	
0725	Beach Safety		17	14	
0730	Planning Policy & Major Devpts		671	407	Staffing and other commitments e.g. Our Plan
0735	Building Control		187	165	
0740	Section 106 Deposits		37	37	Comprises deposits with no repayment conditions - created as a result of IFRS
0830	Members Sustainable Community Locality		48	0	
Sub Total		913	8,336	4,597	
GENERAL RESERVES					
0765	General Fund Balance (Accumulated Surplus)		1,707	1,606	
TOTAL REVENUE RESERVES			10,043	6,203	

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NOT FOR PUBLICATION

This report contains exempt information as defined in
Paragraph 3 of Part 1 of
Schedule 12A to the Local Government Act 1972
(applies to Appendices A, B & C)

AGENDA
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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM
11

NAME OF COMMITTEE	EXECUTIVE
DATE	29 January 2015
REPORT TITLE	CAPITAL PROGRAMME MONITORING REPORT
REPORT OF	Capital Accountant
WARDS AFFECTED	ALL

Summary of report:

To advise Members of the progress on individual schemes within the approved capital programme, including an assessment of their financial position.

Financial implications:

The anticipated level of expenditure is within the existing budget for the approved capital programme as a whole (Appendix A).

If the use of the contingency budget (£216,000) is approved as recommended the remaining contingency for the 2014/15 programme will be £36,000.

RECOMMENDATIONS:

It is recommended that Executive resolve to approve the use of the contingency budget for Disabled Facilities Grants (£50,000) as set out in Section 2.2.

It is further recommended that the contingency budget be amended in line with exempt Appendix B (£130,000).

Officer contact:

Lisa Buckle, Finance Community of Practice Lead
Lisa.buckle@swdevon.gov.uk

Angela Endean, Capital Accountant
Angela.endean@swdevon.gov.uk

Kate Cassar, Head of Assets
kate.cassar@swdevon.gov.uk

1. BACKGROUND

1. The capital programme for 2014/15 was approved by Council on 13 February 2014 (50/13 and E41/13 refer). This report provides an update on this programme and also on those schemes that remain outstanding from previous programmes (Appendix A).

2. ISSUES FOR CONSIDERATION

Introduction

- 2.1 A summary of the programme is shown in exempt Appendix A. The award of contracts is subject to the Council's procurement rules on competitive tendering and therefore the allocated budget is commercially sensitive.

Specific Issues

- 2.2 Members are requested to note the following:

Capital Programme 2013/2014 and prior years

Dartmouth & District Indoor Pool Trust (DDIPT) – Capital Grant £400,000

- The DDIPT have started with site investigation works and have procured the services of a contractor to prepare work packages for tender. To date £18,000 has been released to enable these investigation works.
- Negotiations are ongoing between SHDC and DDIPT regarding the conditions of the lease agreement and it is expected that the grant will be drawn down by DDIPT over the next 12 months.

Island Street Workshop Re-cladding, Salcombe

- Island Street commercial unit is having new cladding and roof, new insulation and door/windows
- Roof replacement works are now complete.
- Cladding works prepared for cedar installation commencing Jan 2015.
- Project on budget and programme

Follaton House - New Fire Detection Panel

- The scope of the T18 brief has been increased to include an updated fire detection system for the new house across all floors. This will be delivered through the 2nd floor fit out between now and the end of March.

Ivybridge Leisure Centre

- Snagging works identified relating to the changing rooms refurbishment which are being resolved within the defects period.

Capital Programme 2014/2015

Four schemes completed:

- Fore Street car park, Kingsbridge
- Warfleet dinghy storage area,
- Dartmouth Lower Ferry Ticket Machines.
- 18 Leechwell Street, Totnes

T18 Follaton House Improvements

- Contractor appointed
- Work commenced in September for March finish

Ivybridge Leisure Centre – roof repairs

The sports hall roofing has suffered a long history of random leaks. Earlier this year we overlaid a small section of the roof to stop one of the more persistent leaks however water is now coming through alongside the new overlay.

The Tone Leisure contract expires in December 2016 and we are therefore proposing to overlay the entire roof. A contractor has been appointed and the cost of this work will be £32,000. £11,000 is available in the 2014/15 capital programme for roof repairs and it is proposed that the remaining £21,000 be met from the unspent 13/14 capital budget for the Leisure Centre. This had been earmarked for a replacement air handling unit which is now no longer required. This would allow the project to proceed with no additional demands on the existing 2014/15 Capital Programme budget. Works are scheduled for late January 2015.

Disabled Facilities Grants

In the first nine months of the present financial year 106 Disabled Facilities Grants (DFGs) have been approved ranging from simple stair lifts and level access showers through to full extensions; this compares with twelve month totals of 96 and 108 for the years 2012/13 and 2013/14, respectively. All grants are mandatory, means tested (except for children) and enable people to remain living independently within their own home. Payments of £515,000 have been made covering grants approved during this and previous financial years. This is the nine month position. An additional £133,000 is committed bringing the total to £648,000 against a budget of £650,000. With the addition of applications pending, and yet to be received, it is predicted that the budget would be overly committed should we continue to approve grants. In view of this, plans have been put in place to manage this demand through the final quarter. In the event that urgent, high risk applications are received it is requested that a contingency fund of £50,000 be approved to support the existing budget.

Members are advised that a wide range of measures have already been put in place to reduce both the revenue and capital costs of delivering DFGs. Most recently the Environmental Health service has secured an average saving of approximately 24% (£1000) on each standard Level Access Shower, through the development, procurement and implementation of a framework agreement across Devon and Cornwall.

The increasing demand and associated costs of delivering mandatory DFGs, along with changing funding arrangements arising from the introduction of the new Better Care Fund, is being looked into by a Task and Finish Group which is due to have its initial meeting on 15th January and will report back in due course.

Affordable Housing Update

Scheme	Budget	Narrative
Frogmore - Exception Site	£25k	Site under option with Hastoe Housing Association. Site investigations currently underway. Start on site estimated to be spring/summer 2015. Completion spring/summer 2016.
Community led housing	£100k	Community-led Housing Initiative launched in April 2014. Currently in discussion with 3 organisations to provide financial support for community led schemes.
Rural Affordable housing	£400k	£250,000 spent or provisionally committed to rural schemes including Thurlestone(completed), Avondale(completed), Slapton(completed), Newton Ferrers and Moreleigh
Older persons housing	£500k	Allocated to Riverside Extra Care. Start on site scheduled for Summer 2015. Completion Spring 2017
Existing stock/ Sustainability	£100k	To reduce empty homes and make best use of existing housing stock.
Homeless / Specialist Housing	£50k	To enable the provision of specialist accommodation as required. Funding will be allocated as need arises.
Follaton Oak, Totnes	£80k	Currently on site. Completion due late summer 2015.
Ivatt Road, Dartmouth	£60k	Scheme completed.

Capital Programme 2014/2015 – EXEMPT ITEM

Appendix B details an additional call on the contingency budget of £130,000 and has been placed in Part 2 of the Agenda due to commercial sensitivity.

3. STRATEGIC ASSET REVIEW - UPDATE

3.1 The procurement of Development Consultants has been undertaken and feasibility and pre-marketing advice has commenced on two of the major disposal sites in the District. Additional resource has now been secured within the Estates Team with progress being made with seeking Pre-Application advice from Development Management and title checks from Legal. Progress on other sites is included in exempt Appendix C.

4. LEGAL IMPLICATIONS

4.1 Statutory powers are provided by the S1 Localism Act 2011 general power of competence.

4.2 The capital programme is implemented in line with the Council’s legal requirements, which are examined on a project-by-project basis. To date there are no undue legal concerns.

4.3 Since there is commercially sensitive information in the Appendices A, B and C regarding the budgets for individual projects, there are grounds for the publication of these appendices to be restricted, and considered in exempt session. The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in Appendices A, B and C. Accordingly this report contains exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.

5. FINANCIAL IMPLICATIONS

5.1 The anticipated level of expenditure is within the existing approved budget for the capital programme as a whole (Appendix A).

5.2 Approval for the use of the contingency budget will result in a remaining contingency of £36,000.

6. RISK MANAGEMENT

The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

7. OTHER CONSIDERATIONS

Corporate priorities engaged:	Sound financial management underpins all of the Council’s corporate priorities.
Statutory powers:	Local Government Act 1972, s148(5)
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:	1. Report to and minute 82/09 of South Hams District Council on 04 February 2010 2. Reports to and minute of Executive on 26 January 2012 (E.69/11, Council 74/11).

	<p>3. Reports to and minutes of Executive on 31 May 2012 ((E.13/12, (E.14/12)</p> <p>4. Report to and minutes of Executive on 6 September 2012 ((E.34/12).</p> <p>5. Report to and minutes of Executive on 6 December 2012 (E.63/12)</p> <p>6. Report to and minutes of Executive on 6 June 2013 (E.05/13)</p> <p>7. Report to and minutes of Executive on 12 December 2013 (E.41/13)</p> <p>8. Report to and minutes of Executive on 23 October 2014 (E.36/14)</p>
<p>Appendices attached:</p>	<p>EXEMPT - Appendix A – Summary of the approved programme plus allocated budget</p> <p>EXEMPT – Appendix B – Additional use of contingency budget</p> <p>EXEMPT – Appendix C – Update on the Strategic Asset Review – Capital Disposal Programme</p>

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Council Priorities	Meeting existing Council priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities	4	2	8	↔	This requires a project appraisal for each proposal. This needs to be taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period.	Head of Service
2	Providing value for money	The Council must demonstrate that capital investment contributes to corporate priorities, provides value for money and takes account of the revenue implications of the investment.	4	2	8	↔	Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.	S151 Officer Head of Assets
3	Cost overruns	Risk of cost overruns on the Capital Programme.	5	2	10	↔	There is regular quarterly monitoring of the Capital programme to Members where any cost overruns are identified at an early stage. There is a contingency budget within the Capital Programme (Appendix A).	S151 Officer Head of Assets

Direction of travel symbols ↓ ↑ ↔

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AGENDA
ITEM
12

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM
12

NAME OF COMMITTEE	EXECUTIVE
DATE	29 JANUARY 2015
REPORT TITLE	LEISURE SERVICE PROCUREMENT
REPORT OF	NATURAL ENVIRONMENT AND RECREATION MANAGER FINANCE COMMUNITY OF PRACTICE LEAD
WARDS AFFECTED	ALL

Summary of report:

The report summarises the strategic issues the Council will need to consider as part of assessing future leisure provision, including the use of the leisure assets, following the end of the current contract in 2016. The report summarises work to date on assessing future options and recommends embarking upon a joint procurement and contract exercise with West Devon Borough Council. This would be prepared during spring 2015 and be launched to the market in summer 2015. The outcome of the exercise would be brought back to Executive for consideration of final recommendations for securing future leisure provision.

Financial implications:

A budget of £30,000 for professional; support fees was established by the Executive under Minute E27/12. This has been used to fund the appointment of a Leisure Consultant to work with the Strategic Leisure Member Working Group on bringing forward this work. It is anticipated that preparatory contract work and tender exercise highlighted in this item can be covered from this allocation. The outcome of the contract tender exercise later in the year, and the route pursued, may impact on the need for additional funding requirements (for example specialist legal support) to move to contract conclusion. Any requests for additional funds will be brought to Executive.

WDBC is also undertaking a tandem leisure service review and has allocated a comparable sum to procure external advice on issues.

The outcome of the proposed joint procurement and tender exercise identified in this item will have potentially significant capital and revenue impacts and these will be reported back to Executive for consideration on completion of the tender exercise.

RECOMMENDATIONS: That Council be recommended to

- 1. Agree the objectives for future leisure services delivery as set out in paragraph 1.5**
- 2. Offer leisure services as a joint contract for up to 25 years with West Devon Borough Council to include facilities (and options) as set out in paragraph 6.6. This to include consideration of options for prudential borrowing and to retain an option for separate contracts if required.**
- 3. Agree a joint leisure services procurement exercise with West Devon Borough Council through the competitive dialogue process**
- 4. Agree that Repair and Maintenance obligations lie with the operator(s)**
- 5. Agree that the procurement exercise include options to assess local operation of the Totnes or Dartmouth Centres. That in addition local input to service delivery shall be secured through local participation in Annual Service Development Plans.**
- 6. Instruct officers to undertake further work in relation to Ivybridge. This to include**
 - Development of a master plan for the site**
 - Further consideration to the facility mix for Ivybridge**
 - Detailed stakeholder discussions with other potential local delivery partners about site locations or alternative delivery options**
 - Detailed financial analysis**
 - Presumed design, build and operate approach**
- 7. Establish a joint Leisure Services Board with West Devon Borough Council based upon an agreed Joint Procurement Protocol. Membership to consist of nominated SHDC members and comparable WDBC representation. Detailed arrangements to be delegated to the Natural Environment and Recreation Manager in consultation with the Leader of the Council and Portfolio holder. The Board to be supported by an officer working group.**
- 8. Agree procurement preparation and evaluation to be timetabled as set out in para 12.1 and Appendix 1**
- 9. Instruct Officers to appoint specialist leisure expertise (or other expertise as required) to support the procurement and evaluation of leisure services in accordance with procurement procedures and Financial Regulations**
- 10. Instruct Officers to conclude liaison with stakeholders and interested parties in order to refine third party details for inclusion in procurement**
- 11. Delegate detailed arrangements for procurement and evaluation to the Natural Environment and Recreation Manager in consultation with the**

Leader of the Council, Portfolio holder, Board Members and relevant Ward Members (where there are location specific issues).

- 12. Require a further report to Executive on the outcome of the procurement exercise and tender evaluation setting out recommendations for future service arrangements.**

Officer contact:

Ross Kennerley, Natural Environment and Recreation Manager

Tel: 01803 861379;

Email: ross.kennerley@swdevon.gov.uk

Lisa Buckle, Finance Community of Practice Lead

Tel: 01803 861413

Email lisa.buckle@swdevon.gov.uk

1. BACKGROUND

- 1.1. The Council has operated leisure and recreation services since the 1970's. These have fluctuated in scope but are now delivered through the operation of four leisure centres and a range of associated outreach community and sports development activities.
- 1.2. The current contract for delivery with Tone Leisure ends in November 2016 and the Council needs to agree its long term approach in the light of major external changes and future financial pressures. The challenge is to try to anticipate what public sector leisure provision should look like in the period up to, and indeed beyond, 2026.
- 1.3. In order to shape consideration of future delivery Executive considered a detailed preparatory item in September 2012. This set out background issues and whilst relevant issues are re-iterated in this item members are referred back to the original report for full information. A key step was the establishment of the Strategic Leisure Member Working Group. This group has met regularly to steer the review the process and has supported the following.
 - Scoping and review of existing facilities and contract
 - Establishing parameters for future delivery
 - Consultants (RPT Consulting) appointed
 - Stakeholder liaison and soft market test
 - Recent joint meetings with WDBC members to shape options
 - Options analysis to support Council consideration

- 1.4. The process has been assisted by the retained consultants and the issues set out in this item are explored in detail in a “Leisure Options Review” report submitted by the consultants. This review document has been provided to the Working Group Members and is available to other Members on request from Member Services. Because it includes sensitive commercial information relating to the current contract, stakeholder liaison and soft market test it is confidential and must not be disclosed outside the Council.
- 1.5. A key issue at the heart of consideration is whether leisure provision in its current form is going to be a future core business for the Council, as it is a discretionary service, and what will be an affordable level of service provision in the longer term. This decision will be a difficult judgement as there is a lack of certainty about the level of funding available for discretionary services in the medium/long term, particularly in view of anticipated changes to the way local government is funded. Nevertheless the working group considered that leisure services was an important public service with tangible community and health outcomes and as such there is public benefit in seeking a cost effective manner of continuing the service. Leisure activities align with Connect Strategy priorities around healthy communities and are a cornerstone of emerging *Our Plan* priorities around the delivery of Health and Wellbeing. Through discussion, and feedback, the working group recommend that a procurement exercise for leisure services is undertaken to test the market based on the following objectives:
- Deliver a sustainable service with controlled costs and clear community benefit outcomes
 - Allow for local participation in future delivery
 - Achieve reductions and minimised revenue costs
 - Draw in capital investment
 - Look for long term arrangements with responsibility for centres passing to the operator
 - Pursue joint procurement and contract with West Devon Borough Council
 - Seek opportunities for future efficiencies, flexibility and service improvements
- 1.6. Further details on the background to these objectives, and the recommendations, are covered in this item and supporting consultants report. It does need to be noted at the outset that delivery of leisure services is a complex activity. The four South Hams centres operate in competition with the private sector and alongside community and college facilities. Existing landowning, operational and partnership arrangements are complicated and buildings are aging and in need of investment. Delivering a sustained service will require political and operational will. The proposed procurement exercise recommended in this item will set a clear direction from the Council – and allow the objectives proposed in 1.5 above to be tested.
- 1.7. A final decision on the future contract arrangements will be brought back to members for consideration once the procurement exercise and evaluation has been completed.

- 1.8. The work to date has been undertaken across both South Hams and West Devon with a view to minimising preparatory costs and maximising long term savings.

2. CURRENT FACILITIES

- 2.1 The Council owns four leisure centres. A summary of the facilities is given along with key land, grant, operational and planning matters.

Dartmouth Leisure Centre

- Sports hall, changing rooms and gym built 2004. Adjacent pitches.
- Sport England Grant restrictions until 2025.
- Use of the land restricted to park and ride site and ancillary facilities - public conveniences, tourist information centre and refreshment outlet, community uses including a community or sports hall, recreational uses.
- Overage clause. If planning permission is granted for a different use, the Council must pay 66% of the increase in the open market value to the Secretary of State.
- Dual use arrangement for use of centre with Devon County Council
- Construction of proposed indoor swimming pool on adjacent SHDC land.

Quayside Leisure Centre, Kingsbridge

- Sports hall, changing rooms, gym, squash courts – built in 1984 swimming pool, learner pool, , bowls hall built in 1998
- Sport England Grant restrictions until 2018
- 5 year lease from 6th December 2007 to South Hams Indoor Bowls Club of the indoor bowls hall within the centre, together with a management agreement. Lease held over.
- Dual use agreement for use of centre with Kingsbridge Community College.

Totnes Pavilion

- Sports Hall, changing rooms and Multi use room built 1997. Adjacent pitches.
- Sport England Grant restrictions until 2016
- 25 year lease from 12th March 2004 to Totnes and District Swimming Pool Trust (Tadpool) of adjacent swimming pool, viewing area, gym and sauna.
- Ongoing management agreements with Tadpool dated 27th March 1990 and June 2014
- Two 60 year leases to the Rugby Club from 20th October 1989 on nearby club house and land.

Ivybridge Leisure Centre

- Sports hall, changing rooms, gym, swimming pool, small pool, squash courts, multi function room built 1987
- Disused outdoor lido adjacent
- Within “I2” LDF allocation site (2011) with policy requirement for “refurbishment of the leisure centre” in the context of mixed use regeneration including commercial, residential and community uses

- Retail and leisure study (2013) considered 3 potential development opportunities for the Leisure Centre:
 - Do nothing other than refurbishment
 - Rebuild leisure facility on site with a range of other potential uses such as small scale retail, health, residential and make better use of riverside location
 - Develop leisure facilities elsewhere in the town, and allow other uses to be built on site, such as foodstore, health facility and/or residential

2.2 The summary demonstrates the wide range of facilities provided by the council as well as constraints and opportunities. The need for refurbishment and rejuvenation of the centres to make them fit for purpose is a recognised challenge. Detailed and updated Condition Surveys for the centres will be undertaken during the spring to identify likely refurbishment costs and requirements for capital investment. As part of the procurement exercise, bidders will be asked to provide contract prices for the contractor undertaking the capital investment required and to also provide prices for the Council financing the investment cost required through prudential borrowing. On receipt of the completed tenders, an options appraisal will be carried out as to which option would provide the best value for money solution for the Council.

3. CURRENT SERVICE DELIVERY

3.1. In December 2006 the council commenced a contract with Tone Leisure (South Hams) limited for the operation of the four centres and a programme of community outreach work. This contract runs through to November 2016. It is the need to anticipate future arrangements, and the lead in preparation, that led to the establishment of the Member group in 2012 and the presentation of this item at this point in time.

The 2014/15 net service expenditure for Leisure Centres, as set out in the budget book, is £1,139,300 as below.

Cost Centre	£
Employees	55,700
Premises Related Expenses	99,300
Supplies and Services	1,900
Transport Related costs	2,000
Management Fee	526,900
Utilities Inflation	121,000
Support Services	30,000
Other expenses	2,400
Capital Charges (depreciation)	405,800
Sub-Total	1,245,000
Less Income and contributions from third parties	(105,700)
Total	1,139,300

- 3.2. The analysis undertaken, and feedback from the soft market test, is that whilst these costs benchmark reasonably well in some respects there are clear opportunities to drive out savings in relation to both the Management Fee and the capital costs inherent in reinvestment in the centres.
- 3.3. The day to day management of the leisure centres undertaken by Tone is subject to ongoing review through the 6 monthly reports to the Community Life and Housing Scrutiny Panel. Overall the reports demonstrate a service that is delivering well against financial and service outcomes. Further background can be found in the Panel reports.

4. STAKEHOLDER LIAISON

- 4.1. The operation of the leisure centres involves, and impacts upon, a number of interested parties. A core requirement identified by the Member Working Group was that these stakeholders be closely involved in the review and that their views be sought and where, appropriate, incorporated. Liaison has taken place with the following organisations and their views sought. Further details were reported to Executive on 6th March 2014 (Minute E68/13).

Third Party	Nature of Interest
Tone Leisure	Operator
Dartmouth Town Council	Town Council
Dartmouth Academy	Potential Partner
Dartmouth Indoor Pool Trust	Potential Partner
Devon County Council	Dual use Agreement
Ivybridge Town Council	Town Council
Ivybridge Community College	Potential Partner
Kingsbridge Town Council	Town Council
South Hams Indoor Bowls Club	Tenant
Kingsbridge Community College	Dual use Agreement
Totnes Town Council	Town Council
KEVICC	Potential partner
Tadpool	Adjacent operator
Active Devon	County Partner
Sport England	Advisor and Grant Aid Body
West Devon Borough Council	Potential Contract partner

- 4.2. The feedback has been supportive of the Council moving ahead with a procurement that seeks to secure future delivery of the service in a cost effective manner. Specific responses will be taken into account in shaping the procurement exercise. A key issue raised by a number of stakeholders is the need to ensure the new service responds well to local circumstances and partners. This is expressed in two ways. The first is that local partners be given the opportunity to bid in as a potential operator and this is an issue that has come forward in both Totnes and Dartmouth.

The second is that across all communities there is an appetite for closer involvement in shaping and monitoring the delivery of the leisure service to ensure responsiveness to local needs. These comments are welcomed and taken into account in the proposed approach to the procurement exercise.

5. SOFT MARKET TEST

5.1. At the update report to Executive in March 2014 a soft market test exercise was agreed. Undertaken by the retained consultants this involved a national advert, direct approaches to providers and follow up with stakeholders. Further details are included in the background review but the headline outcomes were

- 14 expressions of interest
- Significant interest from national market (leisure management and developers)
- Includes interest from local partners for Totnes, Dartmouth (and Okehampton)
- That the financial revenue position could be improved
- That re-investment in facilities could be forthcoming if long term arrangements are put in place (at least 10 years but preferably 20 years plus)
- A preference for joint contract across South Hams and West Devon
- A need for a bespoke approach to Ivybridge to release potential.

5.2. The overall outcome gives confidence that procurement for a new contract could achieve the objectives set out in paragraph 1.5 of this report. In order to progress the procurement Member consideration of the following issues is sought. The following paragraphs give a brief summary of these issues and Members are referred to background consultants report for further information.

- Scope of Contract and Securing Investment
- Procurement process
- Lease and Repair Options
- Local Arrangements
- Ivybridge Options
- Governance
- Timescale

6. SCOPE OF CONTRACT AND SECURING INVESTMENT

6.1. When members first considered the leisure services review the following delivery options were identified.

- Outsource leisure services to the private sector;
- Outsource the service to a trust or related organisational arrangement (for example, Industrial Provident Society or Community Interest Company) to take advantage of business rate relief and VAT reductions to achieve savings. This option is similar to the current arrangement with Tone;
- Commission both leisure services and comprehensive asset redevelopment and/or ongoing estate management;

- Provide leisure services in-house;
 - Transfer leisure services to another Local Authority e.g. a Town Council
 - Explore other forms of community based delivery in the context of the Localism agenda and current and emerging local investment plans in leisure facilities;
 - Stop the service in its current form and develop new partnerships to achieve alternative provision and new leisure uses for existing or redeveloped buildings, or on alternative sites;
- 6.2. These options have been extensively analysed and tested through the stakeholder liaison, soft market test and associated work. The aspiration brought forward from Members and the communities of the South Hams is to maintain the leisure service based around the current centres. The arrangement that has developed through management by Tone leisure as an external operator is well respected and seen as a model for future operation (noting that some communities see opportunity for local delivery to be allowed to be tested through the procurement process). Options for bringing the service back in house or transferred to other local authorities are not favoured.
- 6.3. Given this feedback any future contract needs to attempt to secure a range of challenging outcomes – maintained public service, reductions in revenue costs and investment in capital. The soft market test indicated that these are achievable – but that the contract needs to provide favourable conditions including.
- Arrangements of 20 years or more
 - Maximum number of centres within the contract. Inclusion of all 6 , including West Devon, is favoured as likely to deliver best value by focussing potential operators on achieving value from a larger operation
 - Flexibility over local delivery of service against baseline requirement
- 6.4. The recommendation follows this approach and proposes a joint contract with West Devon Borough Council. The consultants report investigates this option and concludes that there are “significant financial advantages” to a joint contract. The contractor would provide a breakdown of their management fee between the six centres and SHDC will clearly see the separate accounts for the four SHDC centres. Therefore this allows a clear audit trail of individual authorities’ costs, whilst benefiting from joint economies of scale. It is noted that both Councils can at a later stage in the procurement decide to enter into separate contracts with different providers, however this means that the economies of a joint contract won’t be achieved. To achieve this the procurement would include the ability for the Councils to split the contracts if required. Entering into a joint contract is likely to bring financial benefits through appointing one provider and through the ability to have one support team and contract manager, meaning that there is not a need to duplicate head office and support costs. On a recent exercise with another joint contract the benefits to the overall contract were savings of circa £50,000 per annum as opposed to two separate contracts. The approach would also seek demonstration of how, and when, any operator would bring investment into the centres. Members will need to recognise that seeking external capital investment may decrease potential savings on any proposed management fee.

- 6.5. Through a favourable contract there will still be a need for significant investment to fund works (in particular at Ivybridge) There may be a case for the council undertaking prudential borrowing (based on a robust business case) as part of new contract arrangements in order to bring forward improvements to the centres. It is likely that the Council could undertake borrowing at favourable rates and the option for such arrangements will need to be fully explored through the procurement and competitive dialogue.
- 6.6. This approach to offering the contract and considering investment in the facilities as part of long term arrangements is considered by the consultants to have the “potential to significantly reduce the management fee”. On this basis it is proposed that the contract includes the below:

Town	Tender Requirements	Options
Ivybridge	<ul style="list-style-type: none"> • Operation of Ivybridge LC • Investment in New Build • Commercial development of part of site 	<ul style="list-style-type: none"> • Refurbishment • Reviewed Facility Mix
Kingsbridge	<ul style="list-style-type: none"> • Operation of Leisure Centre • Limited investment (refresh) 	<ul style="list-style-type: none"> • Watersports centre
Dartmouth	<ul style="list-style-type: none"> • Operation of Leisure Centre • Operation of Pool (if developed) 	<ul style="list-style-type: none"> • Operation of Leisure Centre only without pool
Totnes	<ul style="list-style-type: none"> • Operation of the combined pool and Leisure Centre • Limited investment (refresh) 	<ul style="list-style-type: none"> • Operation of Leisure Centre only without pool • Inclusion of King Edward VI college
Okehampton	<ul style="list-style-type: none"> • Operation of Parklands • Limited investment (refresh) 	<ul style="list-style-type: none"> • OCRA facilities included
Tavistock	<ul style="list-style-type: none"> • Operation of Meadowlands • Limited investment (refresh) 	<ul style="list-style-type: none"> • Refurbishment • Reviewed facility mix

7. PROCUREMENT PROCESS

- 7.1. There are clearly a range of procurement approaches that the Council could undertake. These could include the following that members have previously considered.
 - o Traditional bid against a tender;
 - o Competitive dialogue where broad objectives are initially identified and subsequently refined in conversation with a limited range of interested leisure service providers/developers, to secure best value and take advantage of the potential providers expertise;
 - o Create a broader leisure offer to increase market interest and reduce service delivery costs by packaging the 4 South Hams Centres alongside other Council’s. The re-negotiation of the West Devon contract to align contract completion dates for the Okehampton and Tavistock Centres allows for such joint marketing.

7.2. A range of approaches have been reviewed and the recommended approach is to initiate a tender process that allows for interested parties to bid and progress through a competitive dialogue route. This is considered to have the widest opportunity to bring interested parties forward and achieve the best outcome against objectives. A joint procurement with West Devon BC will maximise interest and a key strand to the procurement will be to require potential operators to make proposals for how they will achieve the optimum service delivery and best financial position for the councils. The suggested approach to the range of bids within the procurement is set out below. Bidders can bid for one or all of bids 1-5, which enables local bidders to only bid for one facility, but also allows all bidders to bid for all of the facilities. The listing anticipates that a joint contract approach is agreed. If Members require a separate contract approach at the outset a more complex arrangement of separate bids for each council would be established to take through the procurement. The precise details of the presentation of bids will be confirmed as discussions with third parties are concluded ahead of the summer tender exercise.

- Bid 1. All facilities
- Bid 2. Ivybridge, Kingsbridge and Tavistock
- Bid 3. Totnes Pavilion (combined and separate operation)
- Bid 4. Dartmouth (combined and separate operation)
- Bid 5. Okehampton.
- Other. Any optional bids can be submitted by bidders to improve the commercial position

7.3 Given the potential complexities within the service the more flexible competitive dialogue route is proposed. This should allow for securing an operator partner who will deliver the objectives identified at para 1.5. The key principles which should form the basis of the procurement should include

- The partner should be able to deliver required financial savings and capital investment as well as the objectives
- The contract should be for a minimum of 20 years to enable the capital investment
- Documentation will be developed which translates the objectives in to a specification and key requirements the operator must deliver, in partnership with the key local partners
- An appropriate payment mechanism is developed which enables the Council to make deductions from the management fee for non performance
- Evaluation criteria which ensure there is a robust evaluation of both the financial and service outcome delivery
- The affordability position of the Council should be the existing cost of the service, with key revenue savings identified. The affordability level will allow for the prudential borrowing, if agreed by members
- Establishment of Local Liaison Groups to assist in the monitoring, review and service delivery.
- Proposals from operators detailing how activities based at the centres will reach out and promote healthy lifestyles in the hinterlands.

8. LEASE AND REPAIR OPTIONS

- 8.1. Current arrangements (for both South Hams and West Devon) include a split of repairs and maintenance responsibility. This makes use of existing in house capacity – but also creates complexities in management and leaves a recurring liability with the council. Current market practice accepts the greater simplicity of passing all repairs and maintenance to the operator and this is the recommended route. Clearly this may have an upward pressure on the required management fee – but this will need to be set against in house savings.

9. LOCAL ARRANGEMENTS

- 9.1. The stakeholder liaison and the soft market test have confirmed the high level of local interest in the successful operation of the centres (a theme also reflected in West Devon). As reported to Executive in March 2014 there is interest from Dartmouth (DDIPT) and Totnes (Tadpool) in there being options for combined operation of the centres. It is recommended that these individual options be allowed for in the procurement exercise – but on the basis that the individual costs of removing these centres from an overall contract are itemised in order that the full financial cost of local operation can be ascertained and understood.
- 9.2. Conversely there are also likely to be financial benefits from the Totnes and proposed Dartmouth Pools being run as combined facilities with the adjacent leisure centres as part of a large scale contract. It is therefore recommended that this option also be included in the procurement – but again with a requirement that any additional costs of such an approach are itemised separately within any bids to that any additional costs attributable to these third party pool facilities can be identified and understood.
- 9.3. Irrespective of specific contract arrangements in Dartmouth and Totnes there is clear merit in local communities having a role in monitoring and delivery of leisure services. It is proposed that the procurement exercise will include a requirement for providers to provide Annual Service Development Plans as part of local liaison arrangements.

10. IVYBRIDGE OPTIONS

- 10.1. Ivybridge leisure centre presents unique challenges and opportunities (as summarised at 2.1). The poor condition of parts of the building and constraints on facilities limit the level of use and activity at the centre. The dilapidated outdoor lido, small indoor pool and aging fabric detract from the ability for the centre to maximise footfall and be a strong catalyst for community wellbeing and town centre regeneration. The planning and strategic context set a clear framework for rejuvenation of the leisure provision and the turn of contract is the obvious time to consider how to take this forward.
- 10.2. Alongside the soft market test an enhanced piece of work has been undertaken to ascertain the level of interest in refurbishing or rebuilding Ivybridge Leisure Centre. This has demonstrated commercial interest in providing a leisure centre as part a mixed use regeneration on the SHDC land at Ivybridge.

- 10.3. It is recognised that significant investment will be needed for refurbishment to provide a fit for purpose building. For benchmarking a typical current market cost for a new leisure centre with a 25m pool is in the region of £7m. This presents a clear challenge over the way forward and how the council, and future operator, fund either refurbishment or new build.
- 10.4. There is merit in the Council investigating further a comprehensive solution to future leisure provision for Ivybridge. It is recommended that further detailed feasibility takes place to test out options for providing a leisure centre providing a 25m pool, gym and sports hall as part of a mixed use regeneration. It is proposed that this study run alongside the procurement preparation and be concluded for inclusion in the formal procurement exercise to be launched in the summer. This exercise will need to include
- Development of a master plan for the site
 - Further consideration to the facility mix for Ivybridge LC
 - Detailed stakeholder discussions with other potential local delivery partners about site locations or alternative delivery options
 - Detailed financial analysis
 - Presumed design, build and operate approach

11. GOVERNANCE

- 11.1. To date the detailed work on assessing background and emerging options has been led by the Member Working Groups at both South Hams and West Devon. The last two meetings of the groups has been undertaken jointly and involved detailed review with Robin Thompson (the retained consultant) to refine the options that underpin this item,
- 11.2. On the assumption that at very least a joint procurement is agreed then there is clear merit in combining the work of the group and consolidating Member representation, officer support and consultant advice. It is proposed that details be agreed between the Council Leaders and that the Board operate to an agreed "Joint Procurement Protocol" established between the Councils. The Board will take forward the work but will not have decision making powers. Any amendments to the process will take place under the delegation set out at Recommendation 11 or, if substantive, through reference back to Executive.

12. TIMESCALE

- 12.1. To meet the November 2016 contract end a proposed procurement project plan is given at **Appendix 1**. Members are asked to consider this and note needs to be taken of when matters will need referring back to members for agreement later in the year.

13. LEGAL IMPLICATIONS

- 13.1 The provision of leisure services is a discretionary activity. It is therefore up to the Council what level of service it provides. Members should however note that in the current economic climate there has been Judicial Reviews of council decisions to cut funding to local services. Many of the successful cases have focused on the preparatory work undertaken before a decision to curtail a service is made; in particular highlighting that consultation should be carried out when proposals are at a formative stage.
- 13.2 Other legal challenges have been mounted on the basis of the Public Sector Equality Duty, e.g. a lack of prior consideration by the Council of the impact of the proposed cuts on particular groups within society. The recommendations in this report propose continuing the service (at or about current levels) and testing this with the market. At this stage no reduction or loss of service is anticipated.

14. FINANCIAL IMPLICATIONS OF PROVIDING LEISURE SERVICES

- 14.1 The contract fee payment to Tone for 2014/15 is budgeted at £526,900. There was a separate utilities inflation payment estimated to be £121,000. The annual subsidy reduces over the life of the contract. At the start of the contract in 2007/08 the payment was £738,826 reducing to £558,937 in 2016/17 (these figures include inflation and exclude VAT).
- 14.2 The future approach will not be helped by the lack of certainty about the level of funding available for discretionary services in the medium/long term, particularly in view of possible changes to the way local government is funded. Nevertheless leisure services are assessed as being a service the Council wishes to maintain and the proposed procurement process set out in this item seeks to establish the degree to which revenue savings and capital investment can be secured in a cost effective manner for the Council.
- 14.3 The need for investment in the centres, particularly Ivybridge, may be capable of being supported through prudential borrowing. This could only be contemplated if there was a rigorous and robust business plan underpinning the proposed borrowing. This option will be tested out during the procurement and results reported back to members for consideration.

15. CONCLUSION

- 15.1 In deciding the way forward, Members will wish to carefully balance a range of issues:
- Leisure is a discretionary but front line service. Leisure Centres have capacity to further develop at the heart of healthy local communities.
 - Local communities cherish local leisure facilities and wish to see continued council support
 - Two Centres require significant investment moving forward (Ivybridge and Tavistock (WDBC))

- The other Centres require refresh and general upkeep including condition survey work
- There is local interest in partnering with the Council in a number of areas, in particular Totnes, Dartmouth and Okehampton
- The opportunity to combine wet and dry facilities at Totnes and Dartmouth (with the new indoor pool) can potentially bring savings for the Council, due to the critical mass and the provision of staffing already in place. This will be tested.
- There is significant interest from the market in a future contract (preferably a joint contract)
- A joint contract approach to the market would be best value for the Councils, however at the minimum the Councils should enter a joint procurement
- Any facility developments should be delivered through a Design, Build and Operate approach, with the potential for a 25 year contract

15.2 The response from the soft market test has been encouraging and opens the opportunity for further delivery that provides an improved revenue position, capital investment and continued community focussed service. Embarking on procurement through the competitive dialogue route will allow these objectives to be tested and outcomes reported back to members for consideration.

16. RISK MANAGEMENT

16.1 The risk management implications are appended to this report as **Appendix 2**.

17. OTHER CONSIDERATIONS

Corporate priorities engaged:	Community Life
Statutory powers:	S19 Local Government (Miscellaneous Provisions) Act 1976 - Leisure is a discretionary service Localism Act 2011
Considerations of equality and human rights:	The Council currently operates four main leisure facilities. While there are alternative leisure facilities available in surrounding areas, those with limited access to private transport will find travelling longer distances difficult.
Biodiversity considerations:	None
Sustainability considerations:	Access to local facilities may reduce travel
Crime and disorder implications:	Access to local affordable facilities may reduce elements of anti social behaviour
Background papers:	Leisure Options Report: Confidential
Appendices attached:	1. Project Plan 2. Strategic Risk Assessment

STRATEGIC RISKS

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Future leisure service delivery costs greater than currently anticipated	Recent asset condition survey coupled with proposed stakeholder engagement will improve understanding of future cost pressures. Soft Market test indicates opportunities for improved position	4	3	12	↔	Joint Member board established with West Devon. Joint Procurement Protocol and Evaluation criteria established. Effective stakeholder consultation arrangements	NE & RM
2	Balancing future service provision and financial challenges	Conflicting Member ambitions to either improve the future leisure service or manage long term costs may create tension across the Council	4	3	12	↔	Need to formally test and establish revenue and capital costs against affordability	NE & RM
3	Internal capacity and expertise	Both SHDC and WDBC have externalised leisure provision and over time a range of internal corporate expertise is inevitably lost	4	4	16	↔	Continue to allocate support budget to bring in external leisure and legal expertise	NE & RM
4	Managing the level of expectation of key existing stakeholders and potential future partners	Formulating an affordable leisure offer that is fit for purpose in the medium to longer term	4	4	16	↔	Continue to handle discussions sensitively, maintaining positive relationship with stakeholders and investing time developing relationship with potential providers to promote opportunities rather than have the future financial challenges perceived negatively.	Member/Officer Working Group
5	Council reputation	Significant changes to future service delivery perceived to be solely driven by financial pressures will need to be agreed within the context of a clear strategy for future use	5	4	20	↔	Careful consideration of the strategic options with significant decisions linked to a communication strategy.	Member/Officer Working Group

No	Risk Title	Risk/Opportunity Description	Inherent risk status			Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel		
		of current assets, and potential access to alternative facilities					
6	Legal challenge	Legal challenge could come from:(a) a potential provider who feels “unfairly” excluded from a bidding opportunity;(b) as a community right to challenge bid under the Localism Act (in force from 27.6.12) to enforce a procurement exercise; (c) a third party	(a) 4 (b) 3 (c) 4	1 1 2	4 3 8	↔ Positively allowing for local bids (where interest has been identified)	Member/Officer Working Group

Risk Score 20-25: very high; 12-19: high; 8-12; medium; <8: low
 Direction of travel symbols = ↓ ↑ ↔

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Appendix 1 – West Devon BC and South Hams DC Leisure Procurement - Draft Project Timetable

Activities	2015												2016				
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Nov	Dec	Jan	Feb	Mar	Apr	May - Nov	
Preparation																	
Project Board Meetings																	
Contract Sign Off																	
Stakeholder Consultation																	
Ivybridge Master Plan																	
Procurement Documentation																	
Procurement																	
PQQ/IM Preparation																	
Issue OJEU Notice																	
OJEU Period																	
Bidders Open Day																	
PQQ Submission																	
PQQ Evaluation																	
Prepare ISDS docs																	
Issue ISDS																	
Dialogue/Clarification																	
ISDS Submission																	
ISDS Evaluation																	
Shortlist Bidders (3)																	
Dialogue																	
Issue Final Tender																	
Clarification																	
FT Submission																	
Select Preferred Bidder																	
Award Contract																	
Finalise Contract																	
Contract Start																Nov	

Key: PQQ = Pre Qualification Questionnaire, IM = Information Memorandum, ISDS = Invitation to Submit Detailed Solutions, FT= Final Tender

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AGENDA
ITEM

13

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

13

NAME OF COMMITTEE	Executive
DATE	29 January 2015
REPORT TITLE	South Devon and Tamar Valley Areas of Outstanding Natural Beauty (AONBs): Update on Memoranda of Agreement and related matters
REPORT OF	Natural Environment & Recreation Manager
WARDS AFFECTED	For Tamar Valley AONB: Bickleigh & Shaugh; For South Devon AONB: Allington & Loddiswell; Avon & Harbourne; Brixton & Wembury; Charterlands; Dartmouth & Kingswear; East Dart; Erme Valley; Kingsbridge; Newton & Noss; Salcombe & Malborough; Saltstone; Skerries; South Brent; Stokenham; Thurlestone; West Dart; Westville & Alvington; Yealmpton.

Summary of report:

In October 2014 Executive received a report on various matters relating to the South Devon and Tamar Valleys AONBs (Minute E33/14). This item presents an update on those matters. Progress is reported but a range of issues still need to be concluded.

Financial implications:

As reported in October 2014 entering into agreements for 2015/16 would require commitment of budgets for the next financial year under the “Environmental Initiatives” budget head. If SHDC tracked other partners and maintained 15/16 levels at 14/15 levels then this would amount to

- South Devon AONB Core Budget £ 23,200
- South Devon AONB Project Budget £ 9,700
- Tamar Valley AONB Core Budget £ 580

Liabilities in relation to potential redundancy scenarios were reported to the October meeting.

RECOMMENDATIONS:

That the Executive resolves:-

1. To note progress in relation to renewed Memoranda of Agreement for the South Devon AONB and Tamar Valley AONB.
2. To note progress in relation to structured reviews of the future options for delivery of both AONB delivery programmes from 16/17 onwards and to instruct officers to report back to Executive on preferred options
3. To note outcome of the Cornwall Council budget setting in relation to Tamar Valley AONB funding

Officer contact:

Ross Kennerley, Natural Environment and Recreation Manager.
ross.kennerley@southhams.gov.uk 01803 861379

1. BACKGROUND

- 1.1 The October 2014 Executive received a detailed report on a variety of matters relating to the management of the South Devon and Tamar Valley AONB's (Minute E33/14). Members are referred to the item and minutes for the background detail. Members requested an update to the January Executive in order that progress could be monitored.
- 1.2 Three matters were reported and are updated below.

2. ISSUES FOR CONSIDERATION

- 2.1 **Memoranda of Agreement (MoAs).** As reported the existing MoAs conclude at the end of March 2015. Defra has indicated that whilst it intends to continue to fund the work of the AONB units in 2015/16 that this would be by way of a grant rather than as a funding partner to any renewed MoA. The implications of this were recognised and Executive agreed to enter local MoAs for both South Devon and Tamar Valley AONBs for 2015/16 with other Local Authorities.

- 2.2 In terms of the Defra position there has been no update to the indicative funding position originally given for 15/16. Whilst there has been other correspondence (e.g. replies from Lord de Mauley to Cornwall Council and to Blackdown Hills AONB), all this has done is repeat what is already known, that there will be some form of announcement on AONB funding at some point after the election which will allow Councils “*the necessary time and security to plan for 2016-17 and beyond*”.
- 2.3 For South Devon AONB the MoA will lie between Devon County Council and SHDC. As a party to 5 MoAs DCC has taken on the redraft of a simplified locally focussed MoA by excluding Defra and converting it to a one year agreement. Work is underway and a proposed agreement is awaited from DCC with the aim of concluding a signed agreement for the start of the next financial year.
- 2.4 For Tamar Valley AONB the MoA will lie between Cornwall County Council, Devon County Council, West Devon Borough Council and SHDC. As for South Devon, DCC has taken on the redraft of a simplified MoA. The proposed agreement is awaited from DCC with the aim of concluding a signed agreement for the start of the next financial year.
- 2.5 **Structured review of the AONB services.** The uncertainties over future funding have led to both AONB Partnerships (supported by the AONB teams) to commence structured reviews of future delivery options. In both cases this has been delegated to Task and Finish Groups.
- 2.6 In respect of the South Devon AONB the Task and Finish (T&F) group will have met three times by the date of the Executive meeting (29th Sept, 3rd Dec and 22nd Jan). The 22nd Jan meeting will look in detail at options and evaluation and a verbal update will be given. As was reported at the previous Executive a nominal 15 – 20 % reduction generated through a T18 Activity Analysis will be used as a benchmark for testing.
- 2.5 The long list of options being considered included the following. Further details are within the Task and Finish Group papers which can be provided.
- *Continue the existing arrangements*
 - *Stop providing an AONB management service*
 - *Move the AONB Unit into the Council’s T18 operating model*
 - *Merge with another Devon AONB Unit*
 - *Externalise the AONB Unit to another organisation*
 - *Establish a parallel trust or community interest company*
 - *Establish a new regional AONB host organisation*
 - *Commission AONB services from an external organisation*

- 2.6 The T & F group has also looked in detail at how best to evaluate the outcomes of the work of the AONB teams and to seek to prioritise these. The group has sought detailed review of the legislation and government guidance as part of this work. For each option, the emerging evaluation criteria being presented to the 22nd Jan T & F group include
- *Compliance with statutory duties*
 - *Compliance with Defra funding requirements*
 - *Compliance with AONB Management Plan policies*
 - *Effectiveness of delivery*
 - *Ease of implementation*
 - *Scale of legal, financial and contractual complexity*
 - *Added value and value for money*
 - *Durability*
- 2.6 The intention is to conclude the options review by the end of the financial year. This will give preferred travel of direction for consideration by the AONB Partnership and the funding partners (including SHDC thus generating a detailed recommendation back to Executive in due course). It will then need to be concluded whether a particular route is commenced at that time (for example an external trust model) or whether the work be held awaiting further feedback from Defra under the new administration post May. Conclusion of the review, and an understanding of the strengths and weaknesses of various options will allow an informed and agile response to future funding announcements from Defra.
- 2.7 The situation for the Tamar Valley AONB is similar. Cornwall Council is the host authority and has been considering future AONB arrangements in detail as part of its recent budget setting (see para 2.9 below). Given the similarity to the future options for South Devon AONB the Tamar Valley AONBs T&F group is awaiting the outcome of the emerging South Devon work before progressing.
- 2.8 Devon AONB Managers' met before Christmas to share experience of the process of review and examination of future options. One suggestion was to investigate the potential for Heritage Lottery Fund Transition Funding to scope, identify and provide some resource for establishing mechanisms to help AONBs become more resilient in the future. Initial discussions have indicated that an application of this nature may be considered favourably
- 2.9 **Cornwall Council Funding.** As reported previously CC were considering a withdrawal of funding after 2015/16. This was a matter of concern – and raised a substantial number of responses to the consultation. CC has reviewed its position and is now holding over any future decision on funding pending further information from Defra for 2016/17 and beyond. It is assumed the promised Defra clarification (see para 2.2) will assist CC in planning appropriately. Clearly the Review of delivery options needs to be well advanced so the partners can respond rapidly and positively for 2016/17 and beyond.

3. LEGAL IMPLICATIONS

- 3.1 The Countryside and Rights of Way Act 2000 gives local authorities an explicit statutory duty to prepare and publish a management plan for each of their AONBs, and to review it every five years. The Act also requires local authorities to have regard for the purposes of the AONBs in conducting their functions.
- 3.2 The Council has the ability to undertake activity in relation to AONBs under General Powers of Competence within the Localism Act 2011.
- 3.3 The terms of the existing MoA are generally acceptable and it is anticipated DCC will be formulating an interim 15/16 version for consideration by funding partners. Subject to this being acceptable to the Council it will be reviewed by Support Services for suitability prior to signing.

4. FINANCIAL IMPLICATIONS

- 4.1 As already agreed it is proposed that new one year MoAs be entered into for both South Devon and Tamar Valleys AONBs for the year 15/16. At this stage it is assumed this will be based on the 14/15 level of funding.

5. RISK MANAGEMENT

- 5.1 The strategic risk management implications are set out below:

Corporate priorities engaged:	Economy, Environment
Statutory powers:	Countryside and Rights of Way Act 2000. Section 111 of the Local Government Act 1972. Section 2 of the Local Government Act 2000 (the well-being power).
Considerations of equality and human rights:	N/A
Biodiversity considerations:	The AONB Management Plan takes these matters into consideration.
Sustainability considerations:	The AONB Management Plan takes these matters into consideration.
Crime and disorder implications:	N/A
Background papers:	Tamar Valley AONB: <ul style="list-style-type: none">• Management Plan 2014 - 2019.• 2011 - 2015 Memorandum of Agreement.• Annual report 2013-2014.

	South Devon AONB: <ul style="list-style-type: none">• Management Plan 2014 - 2019.• 2011 – 2015 Memorandum of Agreement.• Annual report 2013 -2014.
Appendices attached:	None

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Financial	Council is exposed to financial liabilities for staff and redundancy costs	3	3	9	↔	Seek equitable arrangements for 15/16 Seek stable long term funding and operational position through review	Ross Kennerley
2	Legal	Need to adhere to current MoA and seek secure position for 15/16 onwards	3	3	9	↔	Ensure any actions don't breach current MoA and expose Council to legal (and potentially financial) liability	Ross Kennerley
3	Reputational	Impact on AONB delivery programme, team and partnership	3	2	6	↔	Participate in managed and structured review of future options Seek external validation of process	Ross Kennerley

Direction of travel symbols ↓ ↑

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AGENDA ITEM 14

AGENDA ITEM 14

SOUTH HAMS DISTRICT COUNCIL

NAME OF COMMITTEE	Executive
DATE	29 January 2015
REPORT TITLE	Write Off Report
REPORT OF	Section 151 Officer Customer Service Manager
WARDS AFFECTED	All

Summary of report:

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 October 2014 to 31st December 2014

Financial implications:

South Hams District Council debts totalling £52,863.72 to be written-off.

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 £45,993.20 as detailed in Tables 1 and 2.

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

Officer contact: *Lisa Buckle: Tel ext no.1413 e-mail Lisa.Buckle@swdevon.gov.uk
Kate Hamp: Tel ext no. 1104 e-mail Kate.Hamp@swdevon.gov.uk*

1. BACKGROUND

The Council's sound financial management arrangements underpin delivery of all the Councils 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.

Members have requested that this information be presented in a composite report rather than for each individual revenue stream.

Collection rates for 2013/14 were; Council Tax 98.8% & Business Rates 98.6%

2. ISSUES FOR CONSIDERATION

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 £1,407,442. 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. The total collectable debt for Council Tax is £58.2 million and for Business Rates is £30.2 million.

All debts, taxes and rates within the Service's control are actively pursued, and in most instances are collected with little difficulty. Sometimes, however, special arrangements are needed to effect recovery, and this may mean extending the period of time to collect the debt or ultimately instigating enforcement proceedings and then using Civil Enforcement Agents to secure payment.

In some cases further pursuit of the 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 s151 Officer under delegated authority. Cases where the debt exceeds £5,000 must, however, be approved by Executive prior to the debt being written off.

Members are reminded that 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.

Members are advised that the Service has access to Experian's Citizenvue 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.

3. LEGAL IMPLICATIONS

The relevant powers for this report are contained within the following legislation;

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)

4. FINANCIAL IMPLICATIONS

South Hams District Council Debts totalling £52,863.72 to be written-off.

5. OTHER CONSIDERATIONS

Corporate priorities engaged:	Economy Homes Community Life
Statutory powers:	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)
Considerations of equality and human rights:	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
Biodiversity considerations:	None
Sustainability considerations:	A bad debt provision is built into the financial management of the Authority
Crime and disorder implications:	None
Background papers:	None
Appendices attached:	Tables 1, 2 & 3

RISK MANAGEMENT

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Reputation	Any risk to reputation is managed carefully by prompt recovery of amounts due wherever possible.	3	2	6	↓	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	CS Manager
2	Write Off	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.	2	1	2	↔	Any individual debt exceeding £5,000 is referred to members for consideration prior to write-off which accords with Financial regulations.	COPL Finance

Direction of travel symbols ↓ ↑ ↔

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 2014/15			Totals for Comparison purposes			
	<£1000	>£1000			Quarter 3	Cumulative Total		Equivalent Quarter 2013/14		Grand Total 2013/14	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount
HOUSING BENEFIT	17	3		Overpaid Entitlement	9,163.41	61	28,864.49	46	15,765.40	140	42,460.86
	1	1		Bankruptcy	2,037.22	7	6,762.56	3	2,353.01	9	8,382.57
	1	1		Absconded	4,443.08	9	5,929.35	2	972.06	13	7,132.56
	1	-		Deceased	94.46	5	1,408.36	1	5.27	3	139.45
	3	-		Not cost effective to pursue	5.69	11	36.82	1	7.73	16	174.08
	8	-		Uncollectable old debt	1,338.63	43	14,978.62	7	5,388.81	44	17,067.78
Total	31	5			17,082.49	136	57,980.20	60	24,492.28	225	75,357.30
COUNCIL TAX	11	-		Absconded	3,196.56	59	19,319.81	3	387.82	139	81,974.01
	-	-		Administrative Receivership	-	-	-	-	-	-	-
	5	3		Bankruptcy	5,854.56	40	24,402.25	8	5,770.11	36	24,927.46
	1	-		Deceased	30.84	2	273.18	-	-	6	1,816.58
	65	-		Small balance	965.78	117	2,084.33	1	33.15	18	411.20
	1	2		Other	7,630.65	13	13,054.36	-	-	9	8,194.75
	1	-		Uncollectable old debt	103.88	6	2,653.10	-	-	2	204.97
	-	-		Voluntary Bankruptcy	-	8	4,804.75	-	-	-	-
Total	84	5			17,782.27	245	66,591.78	12	6,191.08	210	117,528.97
SUNDRY DEBTS	-	-	-	Absconded	-	15	1,415.89	-	-	-	-
	-	-	-	Bankruptcy/DRO/IVA/CVA etc	-	11	1,299.62	-	-	2	146.06
	-	-	-	Not cost effective to pursue	-	5	639.10	-	-	4	123.10
	-	-	-	Other	-	34	2,982.39	1	3.38	14	2,360.38
	-	-	-	Liquidation	-	8	105.49	-	-	-	-
	-	-	-	Small balance	-	35	38.14	15	16.95	67	93.69
Total	-	-			-	108	6,480.63	16	20.33	87	2,723.23
HOUSING RENTS	-	-		Bankrupt	-	-	-	-	-	-	-
	-	-		Not cost effective to pursue	-	16	911.31	-	-	22	627.09
	-	-		Absconded	-	-	-	-	-	1	31.94
	-	-		Uncollectable old debt	-	-	-	-	-	-	-
	-	-		Other	-	1	76.00	-	-	9	378.80
	-	-		Deceased	-	-	-	-	-	-	-
Total	-	-			-	17	987.31	-	-	32	1,037.83
Grand Total	115	10			34,864.76	506	132,039.92	88	30,703.69	554	196,647.33

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 2014/15			Totals for Comparison purposes				
	<£1000	>£1000			Quarter 3		Cumulative Total		Equivalent Quarter 2013/14		Grand Total 2013/14	
					Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount	
NON-DOMESTIC RATE	1	-	1	Absconded	119.61	4	3,419.70	1	1,522.60	18	25,414.01	
	-	1	1	Administrative Receivership	1,672.50	2	4,045.91	-	-	3	2,137.62	
	-	1	1	Liquidation	3,193.42	13	26,876.08	1	5.70	15	21,181.35	
	-	1	1	Voluntary Bankruptcy	3,561.47	4	9,060.87	-	-	4	9,015.08	
	2	-	2	Other	19.86	5	500.20	-	-	3	1,828.64	
	-	-	-	Uncollectable old Debt	-	2	863.60	-	-	-	-	
	2	1	3	Bankruptcy	2,561.58	4	5,400.09	-	-	5	11,233.22	
	-	-	-	Deceased	-	-	-	-	-	-	-	
Total	5	4	9		11,128.44	34	50,166.45	2	1,528.30	48	70,809.92	

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

TYPE OF DEBT	NUMBER OF CASES	REASON FOR W/OFF	Financial Year 2014/15			Totals for Comparison purposes				
			Quarter 3		Cumulative Total		Equivalent Quarter 2013/14		Grand Total 2013/14	
			Amount (£)	Cases	Amount	Cases	Amount	Cases	Amount	
NON-DOMESTIC RATE	-	Administrative Receivership	-	-	-	1	14,943.32	1	14,943.32	
	-	Liquidation	-	7	98,092.94	1	11,235.12	2	22,642.65	
	-	Absconded	-	-	-	-	-	-	-	
	-	Bankruptcy	-	-	-	-	-	-	-	
	-	Uncollectable old Debt	-	1	5,914.67	-	-	-	-	
	-	Voluntary Bankruptcy	-	-	-	-	-	1	6,960.88	
	1	Other	6,870.52	1	6,870.52	-	-	-	-	
Total	1		6,870.52	9	110,878.13	2	26,178.44	4	44,546.85	
HOUSING BENEFIT	-	Deceased	-	-	-	-	-	-	-	
	-	Overpaid Entitlement	-	-	-	-	-	1	9,386.50	
	-	Bankruptcy	-	-	-	1	5,516.69	1	5,516.69	
Total	-		-	-	-	1	5,516.69	2	14,903.19	
COUNCIL TAX	-	Absconded	-	-	-	-	-	1	6,240.06	
	-	Bankruptcy	-	-	-	-	-	1	9,160.90	
	-	Voluntary Arrangement	-	-	-	-	-	1	7,689.97	
Total	-		-	-	-	-	-	3	23,090.93	
Grand Total	1		6,870.52	9	110,878.13	3	31,695.13	9	82,540.97	

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**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD AT FOLLATON HOUSE ON THURSDAY, 29 JANUARY 2015**

Members in attendance: * Denotes attendance			
*	Cllr H D Bastone	*	Cllr R J Tucker (Chairman)
*	Cllr R D Gilbert	*	Cllr L A H Ward
*	Cllr M J Hicks (Vice Chairman)	*	Cllr S A E Wright
*	Cllr M F Saltern		

Also in attendance and participating		
Item 8	E.56/14	Cllrs Baldry, Pannell, Pearce, Pennington, Rowe, Smerdon and Squire
Item 11	E.59/14	Cllrs Barber, Pearce and Rowe
Item 12	E.60/14	Cllrs Baldry, Barber, Carson, Foss, May and Pennington
Item 13	E.61/14	Cllrs Foss, Rowe, Smerdon and Squire
Item 14	E.62/14	Cllr Pennington
Item 16	E.64/14	Cllrs Holway, Pearce and Pennington
Also in attendance and not participating		
Cllrs Blackler, Bramble and B Cooper		

Officers in attendance		
All items	Minute Ref	Executive Directors (AR) and (SH), Finance COP Lead and Member Services Manager
Item 11	E.59/14	Divisional Environmental Health Officer
Item 12	E.60/14	Natural Environment and Recreation Manager
Item 13	E.61/14	Natural Environment and Recreation Manager
Item 16	E.64/14	Head of Devon Building Control Partnership

E.53/14 MINUTES

The minutes of the meeting of the Executive held on 11 December 2014 were confirmed as a correct record and signed by the Chairman.

E.54/14 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 and the following were made:

Cllr Bastone declared a personal interest in any matters that related to tourism by virtue of being a director of Dartmouth Tourist Information and he remained in the meeting and took part in all matters;

Cllr Gilbert declared a personal interest in Item 12: 'Leisure Service Procurement' (Minute E.60/14 below refers) by virtue of his wife being employed as a specialist instructor for doctor referrals and he remained in the meeting and took part in the debate and vote thereon;

Cllr Ward declared a personal interest in Item 8: Revenue Budget Proposals 2015/16' (Minute E.56/14 below refers) by virtue of being the Council representative on the South Hams CAB and she remained in the meeting and took part in the debate and vote thereon;

Cllr Saltern declared a personal interest in Item 12: 'Leisure Service Procurement' (Minute E.60/14 below refers) by virtue of being a trustee of Ivybridge Academy Trust and he remained in the meeting and took part in the debate and vote thereon.

E.55/14

REPORTS OF OTHER BODIES

RESOLVED

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

a) **Joint Scrutiny Panel Budget meeting – 29 January 2015**

The Chairman advised that recommendations 1 to 5 of the Joint Scrutiny Panel Budget meeting had been noted, but would not be accepted at this stage as they would be included in the wider discussion on the budget at Item 8 (Minute E.56/14 refers). In respect of recommendation 6 – 'That any surpluses identified through the 2015/16 Budget Setting process should be ringfenced for the affordable housing capital programme', it was **PROPOSED, SECONDED** and on being put to the vote **CARRIED** that this recommendation would not be taken forward.

At this point, the Chairman advised Members that a petition had been received that requested to set the Council Tax Minimum Payment at 0%. The Chairman confirmed that this had been received too late to be considered for the forthcoming year. The proposal would require wide consultation before it could be taken further so would not be relevant to the current budget discussions. He added that this Council did have a hardship fund which residents could apply to.

b) **Economy and Environment Scrutiny Panel – 22 January 2015**

i) **EE.38/14 GREEN INFRASTRUCTURE PLAN**

RESOLVED

That Council be **RECOMMENDED** that:

The South Hams Green Infrastructure Framework be adopted and an annual delivery plan be published, with any amendments prior to adoption being delegated to the Natural Environment and Recreation Manager in consultation with the Chairman of the Economy and Environment Scrutiny Panel and the Executive Portfolio Holder for Assets.

ii) EE.42/14 TRADE WASTE FEES AND HYGIENE

RESOLVED

That Council be **RECOMMENDED** that:

1. The continuation of present fees and charges (2014/15) as set out in Appendix A of the presented agenda report be approved (with the exception of Landfill sacks zone 2);
2. The green landfill collection sacks be provided at the capacity suggested in para 1.6 of the presented agenda report; and
3. The GM CS be authorised to allow a discounted rate, of up to 20%, on multiple container contracts for an introductory period when competing to attract new business.

E.56/14 REVENUE BUDGET PROPOSALS 2015/16

Members were asked to consider a report that updated on the revenue budget position for 2015/16. The forecast was intended to provide a framework within which decisions could be made regarding future service provision and council tax levels. The recommendations would be considered by full Council on 12 February 2015.

The Leader introduced the report and highlighted the reduction in grant from central government over recent years. Some of the reduction had been made up for from business rates. The Council had received £78,000 more than expected in New Homes Bonus monies, which would benefit the capital programme.

During discussion, the following points were raised:

- The Chairman confirmed that he was recommending a council tax freeze for 2015/16. With the anticipated savings that would be generated from the T18 Programme, he did not consider it to be appropriate to increase council tax. One Member was disappointed that a council tax freeze was being proposed, as the freeze grant was not guaranteed to be carried forward into funding for future years whereas a council tax increase would automatically be built into future budgets.

Other Members had sympathy for this view, however the savings from the Transformation Programme, along with the sound financial management of the council, had led to the proposal for a council tax freeze;

- Members discussed recommendation 1 from the Joint Scrutiny Panel meeting as included at Para 1.4 of the presented agenda report. The Chairman felt that this was not the appropriate time to increase funding to the CVS and also felt that a business case should be provided before such a significant sum was agreed. The proposer and seconder of the recommendation at the Joint Scrutiny Panel meeting both outlined the good work of the CVS and the reasons for their proposal. Other Members noted the support already received by the CVS from town and parish councils. A compromise was suggested whereby unspent Sustainable Locality Fund monies could be pooled into a single sum as additional funding to the CVS. The proposer of the recommendation agreed to take this forward. It was then **PROPOSED, SECONDED** and on being put to the vote declared **CARRIED** that recommendation 1 from the Joint Scrutiny Panel meeting would not be accepted;
- The Finance COP Lead responded to specific questions regarding rates of inflation and the cost of agency staff;
- In discussing the recommendations from the joint Scrutiny Panel Budget meeting as listed in para 1.5 of the presented report, it was agreed that each of these recommendations should be accepted as follows:
 1. That the status quo should be retained in respect of the funding for the Empty Homes Strategy, but that this should be reviewed as part of the 2016/17 Budget Setting process;
 2. That pre-application planning fees should be reviewed before the 2016/17 Budget Setting process for major developments;
 3. That the work of the Disabled Facilities Grant Task and Finish Group to generate in-year savings be noted.

It was then:

RESOLVED

That Council be **RECOMMENDED:**

1. That in order to set a Balanced Budget for 2015/16
 - A Nil increase in council tax for 2015/16 will be set (the Band D Council Tax for South Hams District Council will remain at £145.42 for 2015/16) and the Council will accept the one-off Council Tax Freeze Grant being offered by the Government of £57,789 (this represents a Council Tax Requirement for 2015/16 of £5,323,372)
2. the financial pressures in Appendix B of £2,513,000 be agreed
3. the £10,000 discretionary budget bid for the Citizens Advice Bureau be agreed;
4. the schedule of savings identified in Appendix B totalling £2,170,000 be agreed;
5. the Collection Fund Surplus of £100,000 as shown in Appendix A of the presented agenda report be agreed;
6. the level of contributions to reserves to be included within the Authority's budget, as set out in Appendix E of the presented agenda report be agreed;
7. the allocation of Council Tax Support Grant for Town and Parish Councils be set at £112,827 in 2015/16, a reduction of 10 % (Appendix C of the presented agenda report refers);
8. an additional allocation of £395,083 from the New Homes Bonus to support the Revenue Budget in 2015/16 be made *(This is in addition to the £564,043 currently used in 2014/15 to support the Revenue Budget. This figure is £395,083 if Council Tax is frozen or £351,837 if Council Tax is increased by 1.9% as shown in Section 8).*
9. that the Council should set its total net expenditure for 2015/16 as shown in Appendix D at £8,839,401. This is subject to final confirmation of Government funding which will be notified at the end of January 2015. If the Government changes the funding, delegated authority is given to the S151 Officer in liaison with the Leader of the Council to identify an appropriate solution.
10. to allocate £153,900 of New Homes Bonus funding for 2015/16 to the Community Reinvestment Projects budget for 2015/16. Any under spend from the 2014/15 Community Reinvestment Projects budget of £153,900 is to be transferred into the Capital Programme Reserve.

11. the Council transfers £5,779 of its allocation of the New Homes Bonus for 2015/16 to the Dartmoor National Park Sustainable Community Fund. The funds are awarded as a one off payment to Dartmoor National Park, to award projects on an application basis administered by Dartmoor National Park. The following conditions will apply:
 - A. decisions must be taken in consultation with the South Hams District Council local Ward Member(s);
 - B. funding can only be used for capital spending on projects in those parts of Dartmoor National Park which fall within the South Hams District Council Boundaries and enable the Dartmoor National Park to carry out its social economic responsibilities; and
 - C. Dartmoor National Park reports on the progress in the application of, and use of the funds to the Overview and Scrutiny Panel on a six monthly basis and in time for budget decisions to be made (i.e. June and November).
12. £464,000 of New Homes Bonus funding from the 2015/16 allocation be used to fund housing capital projects (Disabled Facilities Grants and Affordable Housing).
13. to transfer any unallocated New Homes Bonus funding for 2015/16 to the Capital Programme Reserve (*this figure is £100,728 if Council Tax is frozen or £143,974 if Council Tax is increased by 1.9% as shown in Section 8*).
14. the level of reserves as set out within this report and the assessment of their adequacy and the robustness of budget estimates are noted. This is a requirement of Part 2 of the Local Government Act 2003.

E.57/14 **CAPITAL BUDGET PROPOSALS FOR 2015/16 – 2017/18**

Members were presented with a report that summarised the Capital Programme proposals of £2,875,000 for 2015/16.

The Leader introduced the report and set out the main details it contained.

It was then:

RESOLVED

That Council be **RECOMMENDED** that:

The Capital Programme Proposals for 2015/16 totalling £2,875,000 being £1,755,000 (as set out in Appendix A of the presented report) and £1,120,000 (further bids as set out in Appendix C of the report) be approved.

E.58/14 **REVENUE BUDGET MONITORING 2014/15**

Members were presented with a report that enabled them to monitor income and expenditure variations against the approved budget for 2014/15 and provided a forecast for the year end position.

The Executive Portfolio Holder for Support Services introduced the report and advised Members that this was a routine monitoring report.

It was then:

RESOLVED

That the forecast income and expenditure variations for the 2014/15 financial year be noted.

E.59/14 **CAPITAL PROGRAMME MONITORING REPORT**

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

The Executive Portfolio Holder for Support Services introduced the report. The Executive Portfolio Holder for Environmental Health and Housing gave further detailed information in relation to Disabled Facilities Grants and the specific recommendation that related to use of the contingency budget.

During discussion, the following points were raised:

- Members were concerned that the link with Devon County Council be maintained in respect of funding;
- Members also raised concerns that the Clinical Commissioning Group (CCG) needed to include provision for funding towards housing matters as there was a long term benefit to enabling residents to stay independently in their own homes for a longer period of time;
- Some Members suggested managing the applications, but another Member reminded the Executive of concerns raised some time ago by the Audit Commission who criticised authorities across Devon for delays in paying grants;
- One Member was concerned that grants were being paid to residents in private rented properties where landlords could afford to pay for the refurbishments themselves;

- The Executive Portfolio Holder for Environmental Health and Housing reminded Members of the funds available through the Wessex scheme;
- The Divisional Environmental Health Officer explained the schemes to Members and how the grants were mandatory but means tested.

It was then:

RESOLVED

- a) That use of the contingency budget for Disabled Facilities Grants (£50,000) as set out in section 2.2 of the presented agenda report be approved; and
- b) The contingency budget be amended in line with the exempt Appendix B of the presented agenda report.

E.60/14

LEISURE SERVICE PROCUREMENT

Members were presented with a report that summarised the strategic issues the Council would need to consider as part of assessing future leisure provision, including the use of the leisure assets, following the end of the current contract in 2016.

The Executive Portfolio Holder for Assets introduced the report, and set out the main points. A number of Members welcomed the report and the opportunity it presented. Points raised included the following:

- One Member asked that a community representative be invited to sit at the table with Tone Leisure to discuss community matters, not to be involved in operational matters;
- Several Members were concerned at the recommendation that required repair and maintenance obligations to lie with the operator as there was no guarantee on the condition of the buildings once they were 'handed back' to the Council. Mention was also made of the length of time of the contract;
- The Natural Environment and Recreation Manager stated that the stakeholders referred to in the recommendation relating to Ivybridge would be those with a current interest such as landowners and the town council. There was also a need to investigate options with other organisations that provided sport provision. In response, a local Ward Member advised that discussions should be held with the College but it was his understanding that they were at capacity;
- In terms of looking for proposals on how operators would reach out and promote healthy lifestyles in the hinterlands, the Natural Environment and Recreation Manager confirmed that this referred to both going out into the community and increasing footfall into the leisure centres;

- Some Members were of the view that the leisure centres provided a service for those residents who lived in the towns and therefore the rural communities were in effect subsidising the towns. A local Ward Member for Ivybridge was able to quote from the Ivybridge Retail Study that evidenced that leisure centres drew residents from surrounding villages, often to use the shops at the same time as visiting leisure centres, thereby supporting the local economy within the district. The Natural Environment and Recreation Manager confirmed that he would request more detailed information on who used the leisure centres and where they came from as part of the next monitoring report that Tone Leisure would provide for the Overview and Scrutiny Panel;
- The Executive Portfolio Holder for Assets thanked Tone Leisure for the contribution they had made to the leisure centres in the district.

It was then:

RESOLVED

That Council be **RECOMMENDED** to:

1. agree the objectives for future leisure services delivery as set out in paragraph 1.5 of the presented agenda report;
2. offer leisure services as a joint contract for up to 25 years with West Devon Borough Council to include facilities (and options) as set out in paragraph 6.6 of the presented agenda report. (This to include consideration of options for prudential borrowing and to retain an option for separate contracts if required.)
3. agree a joint leisure services procurement exercise with West Devon Borough Council through the competitive dialogue process
4. agree that Repair and Maintenance obligations lie with the operator(s)
5. agree that the procurement exercise include options to assess local operation of the Totnes or Dartmouth Centres. That in addition local input to service delivery shall be secured through local participation in Annual Service Development Plans.
6. instruct officers to undertake further work in relation to Ivybridge. This to include:
 - Development of a master plan for the site
 - Further consideration to the facility mix for Ivybridge
 - Detailed stakeholder discussions with other potential local delivery partners about site locations or alternative delivery options
 - Detailed financial analysis
 - Presumed design, build and operate approach

7. establish a joint Leisure Services Board with West Devon

- Borough Council based upon an agreed Joint Procurement Protocol. Membership to consist of nominated SHDC members and comparable WDBC representation. Detailed arrangements to be delegated to the Natural Environment and Recreation Manager in consultation with the Leader of the Council and Portfolio holder. The Board to be supported by an officer working group.
8. agree procurement preparation and evaluation to be timetabled as set out in para 12.1 and Appendix 1 of the presented agenda report.
 9. instruct Officers to appoint specialist leisure expertise (or other expertise as required) to support the procurement and evaluation of leisure services in accordance with procurement procedures and Financial Regulations
 10. instruct Officers to conclude liaison with stakeholders and interested parties in order to refine third party details for inclusion in procurement
 11. delegate detailed arrangements for procurement and evaluation to the Natural Environment and Recreation Manager in consultation with the Leader of the Council, lead Executive Portfolio holder, Board Members and relevant local Ward Members (where there are location specific issues).
 12. require a further report to the Executive on the outcome of the procurement exercise and tender evaluation setting out recommendations for future service arrangements.

E.61/14

SOUTH DEVON AND TAMAR VALLEY AREAS OF OUTSTANDING NATURAL BEAUTY (AONBS): UPDATE ON MEMORANDA OF AGREEMENT AND RELATED MATTERS

Members considered a report that updated on various matters relating to the South Devon and Tamar Valley AONBs.

The Executive Portfolio Holder for Assets introduced the report and advised that this was a noting report, updating Members on the issues previously reported. He confirmed that the review of the AONB service was being undertaken by the Partnership, not the Council. The Council wished management of the AONB to continue because it was supporting an important asset of the South Hams.

The Natural Environment and Recreation Manager updated Members on the most recent meeting of the AONB Task and Finish Group who were looking in detail at the options for the service going forward. The review was supported by the National Association of AONBs and the South Devon AONB Partnership was first in testing how to move forward in this level of detail. Work was continuing on exploring income generation opportunities and the possibility of partnering with other AONBs, either formally or informally was being supported by DCC.

A number of Members expressed support for the AONB service and confirmed that the review was not about reducing the management

support. One Member noted that he represented a ward outside of the AONB and felt the AONB did not benefit the whole district. Another Member reminded that the Council had a statutory duty for the AONB, which was of great value to the whole of the South Hams.

It was then:

RESOLVED

1. That progress in relation to renewed Memoranda of Agreement for the South Devon AONB and Tamar Valley AONB be noted;
2. That progress in relation to structured reviews of the future options for delivery of both AONB delivery programmes from 16/17 onwards be noted and officers instructed to report back to Executive on preferred options; and
3. That the outcome of the Cornwall Council budget setting in relation to Tamar Valley AONB funding be noted.

E.62/14 WRITE OFF REPORT

Members considered a composite report that detailed the debts for all revenue streams within the Revenue and Benefits Service remit up to the value of £5,000, written off by the S151 Officer under delegated authority, and for those debts in excess of £5,000 for which permission to write off had been sought.

The Lead Executive Member for Support Services introduced the report and requested a minor amendment to the recommendation to read that the Executive approved the write off of individual debts in excess of £5,000 rather than considered the write off of individual debts in excess of £5,000. The s151 Officer responded to queries in relation to specific cases.

It was then:

RESOLVED

1. That in accordance with Financial Regulations, the s151 Officer had authorised the write-off of individual South Hams District Council debts totalling £45,993.20 as detailed in Tables 1 and 2 of the presented report, be noted.
2. That the write off of individual debts in excess of £5,000 as detailed in Table 3 of the presented report be agreed.

E.63/14 EXCLUSION OF PUBLIC AND PRESS

RESOLVED

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.

E.64/14 FUTURE OPTIONS FOR THE BUILDING CONTROL PARTNERSHIP

Members were asked to consider a report on the future service delivery model of the Partnership.

Following discussion, it was then:

RESOLVED

That a detailed business case be prepared for the setting up of a Local Authority Trading Company.

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF MINUTE E.55/14 (b) part i and ii, E.56/14, E.57/14 and E.60/14 WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 12 FEBRUARY 2015, WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY 9 FEBRUARY 2015 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

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

Chairman