

APPENDIX C – SAVINGS GENERATED AND INVESTMENT AND FINANCING STRATEGY

1.1 The annual recurring savings generated by T18 will be £3.8 million as shown below. The savings from the accommodation options are modelled below on the recommendation of Option 2 (which is to retain access to services at Kilworthy Park along with a Civic Hub, member support services and staff touchdown facilities, and co-locate support staff for both Councils at Follaton House).

Savings generated (Table 1)	Sharing ratio (%) (SHDC:WDBC)	Annual recurring savings (£)
Staff savings	64%:36%	£3,200,000
Combined annual running cost saving (Accommodation Option 2- see 4.5)	£130,000 SHDC £170,000 WDBC	£300,000
Additional new income from released surplus office (Accommodation Option 2- see 4.5)	£215,000 SHDC £60,000 WDBC	£275,000
Small items	50%:50%	£25,000
TOTAL £3.8 m (Split £2.5m SHDC :£1.3m WDBC)		£3,800,000

Under Option 2, West Devon Borough Council would pay South Hams District Council approximately £90,000 per annum to lease workstations from South Hams.

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1.2 The phasing of the investment costs and the savings generated have been profiled below over the next five financial years. The tables below show the position for each individual Council and in total.

SHDC (Table 2)	2014/15	2015/16	2016/17	2017/18	2018/19
Investment	£1.1m	£1.28m	£0.54m	£0.15m	£0.11m
Savings	£(0.09)m	£(1.38)m	£(2.42)m	£(2.50)m	£(2.55)m
TOTAL	£1.01m	£(0.1)m	£(1.88)m	£(2.35)m	£(2.44)m
WDBC (Table 3)	2014/15	2015/16	2016/17	2017/18	2018/19
Investment	£0.93m	£0.74m	£0.42m	£0.2m	£0.17m
Savings	£(0.07)m	£(0.82)m	£(1.43)m	£(1.44)m	£(1.46)m
TOTAL	£0.86m	£(0.08)m	£(1.01)m	£(1.24)m	£(1.29)m
TOTAL (Table 4)	£1.87m	£(0.18)m self-financing	£(2.89)m	£(3.59)m	£(3.73)m

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1.3 As shown in Table 3, an initial net investment of £0.86 million is required in 2014/15. After this point, in Year 2 (2015/16) the Transformation 2018 Programme becomes self-financing as the investment costs falling in 2015/16 will be paid for by the savings generated in 2015/16. It is recommended to finance the investment costs in accordance with the Investment and Financing Strategy below:

WDBC (Table 5) – To be financed by:-	Investment costs (£)
New Homes Bonus (There is £423,000 currently unallocated from 13/14)	£400,000
General Fund Unearmarked Revenue Reserves (current balance is £1.03 m)	£200,000
Capital Resources	£200,000
Savings from the scouring exercise	£60,000
TOTAL	£860,000

1.4 For accounting purposes, it is recommended that £600,000 of funding is transferred from New Homes Bonus (£400,000) and General Fund Unearmarked Revenue Reserve (£200,000), into an Earmarked Reserve for T18.

APPENDIX C – SHARING RATIOS

1.5 Ratios are set out below for the sharing of the investment costs and savings between West Devon Borough Council and South Hams District Council.

1.6 It is recommended to share the investment costs for the main ICT in the ratio of 50%/50% for each Council – This is to reflect the individual cost to a District Council of implementing the new operating model.

1.7 It is recommended to share staff related costs and savings in the ratio of 64% SHDC and 36% WDBC – This is to reflect the staff ratio of Full Time Equivalent posts (and Gross salary costs) which are 'In Scope' for T18. An adjustment has been carried out to reflect where posts are shared and carrying out an element of work for both Councils.

(Note: Page 7 the high level business case detailed those services which were 'Out of Scope' of the new operating model and are not included within T18.

The scope of the T18 review includes all Council services other than building control and the core delivery elements of waste and recycling, street cleansing and grounds maintenance. Building control has been excluded from T18 because it is already part of a wider shared service arrangement – These services are all 'Out of Scope' for T18. All other services are 'In Scope' for T18).