



# One Council

for South Hams and West Devon

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



## Foreword from Joint Steering Group

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

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



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

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

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

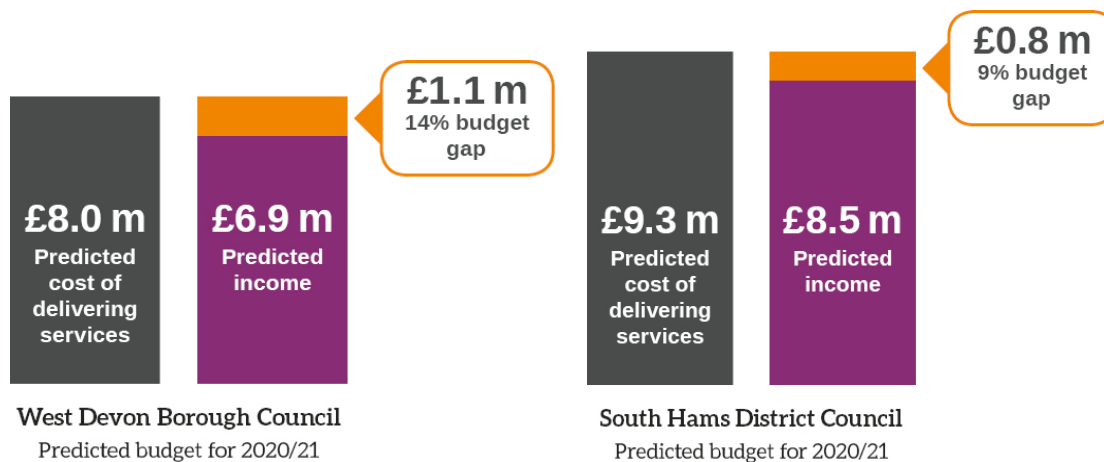
This is a Proposal to bring the two political structures together, a natural continuation of the shared service journey that both Councils have been on. It also looks at further savings that could be made by reducing the number of Councillors and combining our assets.

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

# 1. Executive Summary

- 1.1. This is a Proposal is to set up a single, new Council from 1 April 2019 for the area that is currently served by South Hams District Council and West Devon Borough Council. The Councils are asking residents, businesses and other organisations for their views on this Proposal and will be consulting widely from early August until the end of September 2017, with the intention of sending the final Proposal for a Single Council to the Government in autumn 2017.
- 1.2. The purpose of the Proposal is to respond to severe financial public sector constraints, maximise savings that would arise from creating a Single Council instead of operating two separate Councils, and therefore, importantly, protect and invest in the services that South Hams and West Devon currently provide. Whilst the key reason for creating a Single Council is financial, an important consideration is to ensure future resilience and sustainability of valued Council services. The Councils believe that creating a Single Council will help us to continue to meet the challenges that we are facing and take advantage of any opportunities that arise in the future.
- 1.3. South Hams and West Devon have a strong history of working together to achieve savings and deliver services in a more efficient way. This history of working together (from 2007) has culminated in the Councils' recent T18 transformation programme and has successfully resulted in a smaller workforce delivering these services whilst saving £5 million per year. The Councils want to both protect these savings and to also make further savings and efficiencies in the way we deliver our services, and creating a Single Council is the next logical step in this journey; the Councils are already interdependent on each other financially given the extent of the shared workforce and delivery of shared services.
- 1.4. The Single Council Proposal is one of several measures that the Councils are considering to help to close the £1.9m funding gap across both Councils. Other measures that the Councils are currently considering are outsourcing some of their front-line services such as waste and recycling services and also considering a programme of buying and renting out commercial properties. These measures are being considered alongside each other as there is no single solution to the financial pressures faced by the Councils to meet the funding gap, and to ensure financial stability for the medium to long term.

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



- 1.6. The Councils predict that, by creating a Single Council, they can save up to £0.5 million a year. This will not be through cuts to services, but because a Single Council will cost less to operate; the new Council will need fewer Council and Committee meetings and there will be no need for each Council to make separate decisions; there will be one budget and one set of financial systems. The staff capacity that these efficiencies will release will be focused on the delivery of services.
- 1.7. Currently, the Councils have different levels of council tax, but (after a period of harmonisation) a new Single Council will have a single level of council tax across the whole area; how this can be achieved is set out in paragraph 9.28 below. This will increase the amount of income that the Council receives, helping to close the funding gap, and retain valued Council services.
- 1.8. The Councils need to follow a prescribed process and timetable in order to create a Single Council and this is set out in Section 7 below.
- 1.9. As part of this Proposal, the Councils have addressed the five key principles set out by the Government for considering changes in Council structures. The principles are:
- Improvement of local public services
  - Providing greater value for money
  - Delivering a stronger local leadership - across both Council areas and locally at ward level
  - Generate significant cost savings
  - Supporting a sustainable future (structurally and financially) in the medium to longer term

- 1.10. If the Proposal to create a Single Councils is progressed, it will not be at the expense of the other options mentioned in paragraph 1.4; however, no single option is guaranteed to meet the financial challenges on its own. There is a risk that if the combination of proposed measures are not implemented, at least one of the Councils will not achieve a balanced budget in the near future which will have severe financial consequences for both Councils.

## **2. Background**

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

### **National Context**

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

### **Local context**

- 2.4. South Hams District Council and West Devon Borough Council have a strong history of working together to achieve savings and deliver services in a more efficient way. This history of working together since 2007 has resulted in a fully shared workforce and shared delivery of the majority of the Councils' services and the Councils have produced important joint plans and policies such as the Joint Local Plan, and have aligned, as far as possible, other supporting documents such as the enforcement policy. Councillors have also engaged with the close working relationship through joint member meetings and working groups which explore common themes across the two areas.
- 2.5. West Devon and South Hams are marked by their similarities rather than differences; as the map in 1b shows, the Councils share a common boundary and are both predominantly rural areas neighbouring larger urban areas such

as Torbay and Plymouth. Both areas face similar challenges and opportunities for the future.

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

Table 1a – Devon districts by population (as at 2015 data)

	Population (as at 2015)
<b>West Devon</b>	54,400
<b>Torridge</b>	66,300
<b>Mid Devon</b>	79,500
<b>South Hams</b>	84,500
<b>North Devon</b>	94,200
<b>Exeter</b>	127,300
<b>Teignbridge</b>	128,800
<b>Torbay</b>	133,400
<b>East Devon</b>	138,100
<i>Single South Hams and West Devon Council</i>	<i>138,900</i>
<b>Plymouth</b>	262,700

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

Diagram 1b – Devon districts map (yellow highlighting indicating new council area)



Table 1c – Summary of Key Statistics

<b>West Devon Borough Council</b>	<b>South Hams District Council</b>
<ul style="list-style-type: none"> <li>• Population: 54,400</li> <li>• Households: 23,000</li> <li>• Councillors: 31</li> <li>• Area: 1160 sq. km</li> </ul>	<ol style="list-style-type: none"> <li>1. Population: 84,500</li> <li>2. Households: 38,000</li> <li>3. Councillors: 31</li> <li>4. Area: 906 sq. km</li> </ol>

### **A history of working together**

2.8. The shared services programme has enabled the Councils to meet their financial obligations until 2018, and the creation of a Single Council is the next logical step enabling the delivery of a full range of services without cuts or long term reduction in quality. The Councils have saved in excess of £6 million per annum through sharing of staff and other costs (which includes £5 million from the T18 Transformation Programme). All of these savings and efficiencies have been achieved without external funding or changes in the Councils' governance structures.

2.9. West Devon Borough Council is currently forecasting a £1.1m budget gap by 2020/21, with South Hams forecasting a £0.8m budget gap for the same period. Both Councils acknowledge that there is no single solution to addressing the reduction in funding while maintaining services across the two areas, and a number of initiatives are being considered in parallel. To put this into context, West Devon has a net revenue budget of £7.4m in 2017/18 and South Hams has a net revenue budget of £8.3m for the same period.

2.10. The Councils are already exploring options around the future of their waste and street cleansing services in order to ensure best value for money. This may take the form of outsourcing some of those services or delivering them through a wholly owned company. The Councils are also due to consider a strategy to acquire commercial properties located across the UK in order to increase revenue income.

2.11. The initiatives set out above are not mutually exclusive to the formation of a single Council. Some of the above options could be enhanced by the creation of a Single Council – for example, if outsourcing frontline services was progressed for one larger Council, there would be increased savings due to economies of scale.

### 3. Benefits in creating a Single Council

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

#### **Value for money and financial savings**

3.2. As set out in more detail in the financial section below, becoming a Single Council is estimated to generate up to a further £0.5m of annual savings, as well as protecting the annual shared services savings of £6m per annum across the two Councils. This is excluding any potential income resulting from an increased Council tax (which varies depending on the option for equalisation).

3.3. Becoming a Single Council will also mean releasing some capacity that is currently absorbed by serving two Councils (for example staff resources currently required in supporting two separate sets of council and committee meetings). This would enable a Single Council to focus on a single Accommodation Strategy (to generate new income to support services and to meet the funding gap) and for investing in communities. A single main office base will also deliver long term savings. It would also mean doing the best for residents in terms of using this capacity to maintain and improve service delivery, rather than spending time on complex or duplicated processes.

3.4. New income opportunities and savings will continue to be realised when contracts and system requirements come up for review, and dual arrangements can be replaced with a simpler, cheaper, single contractual relationship.

#### **Simplification**

3.5. Becoming a Single Council could be seen as a natural continuation of the shared service journey. The Councils are currently interdependent on each other due to the fully shared workforce and delivery of services. By removing the remaining complexities inherent in serving two bodies, a Single Council will be simpler to run and manage. Financial systems will be simpler, with single reporting requirements, and a removal of the need for reconciliation between different council budgets as is the case when running a shared operational service. Simplifying systems within the Council (accounting systems, committee support etc.) and reducing duplication of licences, subscriptions and memberships will free up taxpayers money that can be invested in services to our communities.



- 3.6. Whilst we would still want a physical presence across the whole of South Hams and West Devon with places for communities and businesses to access our services in different localities, the new Council would consider relocating to a single, centrally located head office.
- 3.7. There will also be staff capacity released resulting from supporting only one set of Council and Committee meetings and Councillors, and the removal of the duplication of reports and officer attendance, which will allow focus on the delivery of key projects and strategic priorities.
- 3.8. By applying consistent policies for business and communities across the wider geographical area, we would remove the requirement for staff to apply different policies in each Council area. This would be particularly beneficial for businesses that currently operate across both Council areas.

### **Democratic accountability**

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

### **Influence**

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

- 3.12. A single larger Council will have the support of four Members of Parliament and 11 County Councillors whose support is currently split across the two areas, and this will make for a much stronger voice for the whole area locally, regionally and nationally.

### **Resilience**

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

## **4. Council Governance and Councillors**

- 4.1. Whilst the Councils are currently separate entities who are required to make separate decisions with a separate budget, the Councillors already work together in several contexts, for example, the Joint Steering Group which considers the future of the Councils and the options available, joint member working groups and shared interests and priorities (such as for leisure services and the Joint Local Plan) shared induction and Councillor development programmes together with informal joint committee meetings on common issues.
- 4.2. There is no proposal to reduce the number of Councillors from the current 62 (31 in each Council) before the implementation date of 1 April 2019. The current number of elected Councillors can embed the strengthened local leadership role. The Government does have the power to amend the number of Councillors on the Council when deciding the Proposal, but our Proposal is that the current 62 are retained for the first few years, and the new Council will request the Boundary Commission to undertake a review in order that

revised arrangements are in place for the 2023 elections. The Boundary Commission review will also present the opportunity to consider 'single Member' wards and the effective number of Councillors for the urban centres. It is likely the number of elected Councillors representing the new Council will be reduced by 2023.

- 4.3. Currently, South Hams operates a Leader with an Executive style of governance whilst West Devon operates a committee system. Governance arrangements are prescribed by law, and the new Council (because of its larger size) will have to operate executive arrangements. The proposal is that the new Council operates a Leader with a Cabinet, with the change in terminology signifying a positive change from both current structures. A Cabinet can comprise up to 10 Councillors, and whilst this is a matter for the new Council, the Proposal is that the Cabinet comprises between 6 and 8 Councillors in order to operate with maximum effectiveness. Individual portfolio holders will have defined decision-making powers (which will be decided by the new Council) such as debt write-off and award of community grants.
- 4.4. The new Council will retain a democratically sound model, but without the need for duplicated and separate decisions by the existing Councils on shared issues. The proposal is for a reduction in the overall number of council bodies for a Single Council (one Council, Cabinet, and Audit Committee) but there will be two Development Management Area Committees, and two or three Overview & Scrutiny Committees comprising of Councillors not on the Cabinet, with the opportunity for the O&S Committees being chaired by a member of the minority parties.
- 4.5. In forming the new Council, there is the opportunity to establish a new role for Councillors, in line with a modern approach to Local Government and with the opportunity to engage more positively with Parish and Town Councils. During the implementation of the new Council, we will seek the views of Town and Parish Councils in how they would envisage the Single Council working with them.
- 4.6. Residents' expectations are changing as a result of changes in technology and service delivery brought about by austerity measures. Many residents now look to engage with their local Council through social media platforms and expect a prompt response. The new Council will ensure that it maximises the opportunities offered through these platforms and ensure that Councillors have the training and tools to meet customer expectations.
- 4.7. The skill set for Councillors is shifting with a greater emphasis on connective, digital and reflective skills. A full induction programme for new Councillors will be developed through the implementation phase to support this.

## Support to Councillors

4.8. A strong local presence and a shift to resolving customer issues at the front end of the business is a fundamental principle has been at the forefront of the T18 transformation programme and will continue to be a key principle of the new Council. The Councils currently operate a Locality Team comprising 'on the ground' officers, and it is proposed that the Single Council area will be divided into geographic zones with all Councillors having an identified Locality Officer as their "Go To" person for local problem-solving and community liaison. The Locality Officers patrol their geographic areas in Council-branded vans, and carry out a wide range of tasks for many Council services (such as issuing enforcement notices, reporting fly tipping etc.).

Diagram 4a – How the Locality Team works



4.9. Locality Officers are an important link with both Councillors and the Community with the aim of early identification and resolution of issues, and the role of the Locality Team is pivotal in demonstrating strengthening local leadership and will become increasingly important in ensuring local presence and engagement in the communities served by a Single Council with a large geographical area.

## Engagement with Town and Parish Councils

4.10. During the implementation phase, the Councils will work closely and positively with Town and Parish Councils, to ensure that their voice is heard in the larger geographical area and that local connections are enhanced and not lost.

4.11. The Councils will explore opportunities for Town and Parish Council sustainability, building capacity and capability, including the development of

clustering arrangements to ensure better representation and influence and, potentially, an increase in services delivered locally.

## 5. Our Workforce

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

## 6. Accommodation and Assets

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

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

- A comprehensive review of the Councils' operational locations
- Combining operational assets of both Councils
- Increased partnership working closer to communities, with officers or committees co-locating with other public bodies (e.g. the police, the NHS, DCC, Town Councils) or in community buildings to reduce or avoid the need

for customers / staff / Members to travel large distances to conduct Council business

- Devolving certain decisions to other bodies reducing the need for physical premises in certain areas
- The potential disposal and/or redevelopment of the two head office locations

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

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

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

## 7. Timescales and Process

7.1. The Proposal is to form a new Council on 1 April 2019 with elections to the new Council in May 2019 based on the existing number of Councillors (31 from each Council).

7.2. The Proposal does not impact adversely on service delivery as South Hams and West Devon already have a shared workforce and customers are unlikely to notice a difference in the delivery of services. There will still be a physical Council presence across both South Hams and West Devon with places for communities and businesses to access our services in different areas. It is only the governance arrangements that would be affected.

7.3. The following table sets out the indicative timetable for consultation on the Proposal, the submission of the final Proposal and for decision by the Government as to whether a Single Council will be created:

Table 7a – Outline Timetable for forming a single council

Action	Date
Consultation period (public and key stakeholders)	August - September 2017
Final proposal prepared for approval by Councils and submitted to Secretary of State for consideration	Autumn 2017

Period for further representation	Autumn 17/ Spring 2018
Recommendation by Secretary of State	Spring 2018
Preparation of Order	
Regulations laid before Parliament	Early May 2018
Debated in Parliament	May – July 2018
Final Order made	July 2018
Transition phase	July 2018 – March 2019
Single Council formally comes into being	1 April 2019

## 8. Public Engagement

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

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

## 9. Financials

### 9.1 Implementation Costs

9.2 There would be up-front costs in forming the new Council but these are likely to be significantly less than many similar council reorganisations as the services

transferring into the Council have already been through significant transformation, staffing levels have been reduced and new case management systems implemented.

9.3 Based on forming the Council from 1 April 2019, the majority of costs would be incurred in 2019/2020 financial year. There would however potentially be some ongoing costs in respect of redundancy and pension strain costs for a further 3 years.

9.4 We estimate that the costs of forming the Single Council would be £325,000 which would include:

Specialist Advice and financial modelling for this Proposal and a Single Council

Project Management Support to ensure the smooth transition to the new Council

A temporary website for the consultation phase, random telephone survey and a programme of face to face questionnaires undertaken by Locality Engagement Officers as part of their current roles. In addition there would be a series of local meetings with Town and Parish Councils to discuss the proposal.

Cost of data transfer from individual Council systems into single versions of the systems

Communications and branding including design of new council logo, creation of new website, rebranding of signs at Head Quarters

Legal support for novation of existing supplier contracts to the new Council.

Staff redundancy cost. These would be in line with the currently aligned redundancy policies for South Hams and West Devon Councils. This is likely to be less than 10 employees. The Senior Leadership Team would seek to significantly reduce the overall requirement for redundancy through active vacancy management in the years prior to going live with the new Council.

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
<b>Planning and Implementation costs</b>							
Advice and modelling for Council Tax	3,000	3,000	4,000				
Project Management and Support	15,000	15,000	15,000				
Public Consultation	12,500	2,500					
IT costs		25,000	25,000				
Comms Support / Branding/ website etc		5,000	10,000				
Remodelling council finances etc		25,000	10,000				
Legal, including novation of contracts		10,000	5,000				
Redundancy and pension strain costs			85,000	20,000	20,000	15,000	
<b>Implementation Costs (one-off)</b>	<b>30,500</b>	<b>85,500</b>	<b>154,000</b>	<b>20,000</b>	<b>20,000</b>	<b>15,000</b>	<b>0</b>
						<b>Total Implementation costs</b>	<b>325,000</b>



9.5 The costs are relatively low for the formation of a Single Council compared to other Councils. This is largely down to South Hams and West Devon already sharing their services, systems and processes. Information on the payback period for this costs is provided in Section 9 of this report.

### **Position for the current South Hams District Council and West Devon Borough Council**

9.6 The scale of the financial challenge is shown in 1.5 above. The predicted budget gaps for the Councils by 2020/21 are £0.8m for South Hams and £1.1m for West Devon. This includes savings realised as part of the T18 transformation programme which has now largely concluded. This is shown in detail in 1.5.

9.7 During 2016/17 the Government offered Local Authorities the opportunity to apply for a four year agreed funding settlement, subject to the production of an efficiency plan. Both Councils applied and were accepted for the four year agreement. By 2018/19 both Councils receive no Government funding (Revenue Support Grant) and the Councils will need to be financially self-sufficient. Both Councils' Settlement Funding Assessment (Revenue Support Grant and funding from Business Rates) is reducing by over 37% between now and 2019/20.

9.8 From working in a shared services partnership and from the joint transformation programme, South Hams is annually saving £3.9 million a year and West Devon £2.2 million a year. The proposal for a Single Council would build upon an existing shared workforce and joint working. With unprecedented pressures on Local Government budgets and Councils needing to become 'self-financing', a proposal for a single Council would assist the Councils to retain their financial viability in the future, to safeguard the services delivered.

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

### **Business Rates and Fairer funding review**

9.10 It is normal for new Councils formed to operate with aggregated baselines and funding from pre-existing Councils. If new Business Rates and funding baselines are set in 2019-20, it is likely that the new Council will receive its own baseline – not necessarily aggregated. The Fair Funding Review will also create new baselines which could be higher or lower. This needs to be noted as a risk in the

proposal as at this stage we don't know enough about how the Government will reset baselines to quantify the risk.

### Asset Strategy

9.11 Section 6 of this Proposal sets out that the new Council will need to develop its Asset Strategy. Additional income could be achieved in the medium term by letting out the current space utilised by the Councils' staff, however this would only be achieved if the Council found other premises and these would require funding. No figures for savings or income relating to assets have been modelled into the proposal, as such changes will only be considered by the new Council.

9.12 Appendix D presents a summary of a new, Single Council Balance Sheet based on the 2016/17 Unaudited Statement of Accounts.

### Release of Reserves

9.13 South Hams currently has £1.8 million of Unearmarked Reserves (£8.3 million net budget) and West Devon currently has £1.1 million of Unearmarked Reserves (£7.4 million net budget) – i.e. £2.9 million across both Councils.

9.14 A combined Council (with a net budget of less than £16 million) could hold less reserves as the larger size of the new Council allows some of the reserves to be released because risk is pooled over a larger authority. If reserves were held of say 15%, this would equate to £2.4 million. This could allow the combined Council to set aside a sum of money (e.g. £350,000 say) to be ring-fenced for the sole benefit of residents in South Hams. This could be for a number of things – e.g. a grants scheme for residents to apply to and options could be considered by Members.

9.15 The table below shows the level of Unearmarked Reserves and Earmarked Reserves for both Councils.

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

9.16 The creation of a new single Council would enable a fundamental review of earmarked reserves and balances held by the two separate Authorities. Where

the Councils hold Earmarked Reserves for the same stated purpose, a single Council approach could entail consideration of revised and potentially lower levels for these.

### Capital finance considerations

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

### Pensions

9.18 An actuarial report was commissioned by the Councils' actuaries confirms that a combined employer pension contribution rate that would apply to a new combined Council.

9.19 The combined rate for a single Council is 14.2%. Modelling the new combined rate gives a small saving of £7,000 per year on the pay bill for the single Council for employer pension contribution rates. This is based on the single Council taking on responsibility for all historic liabilities. This has not been shown in the modelling as it is virtually a stand still position to what both Councils pay now.

### Payback period and Financial summary

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

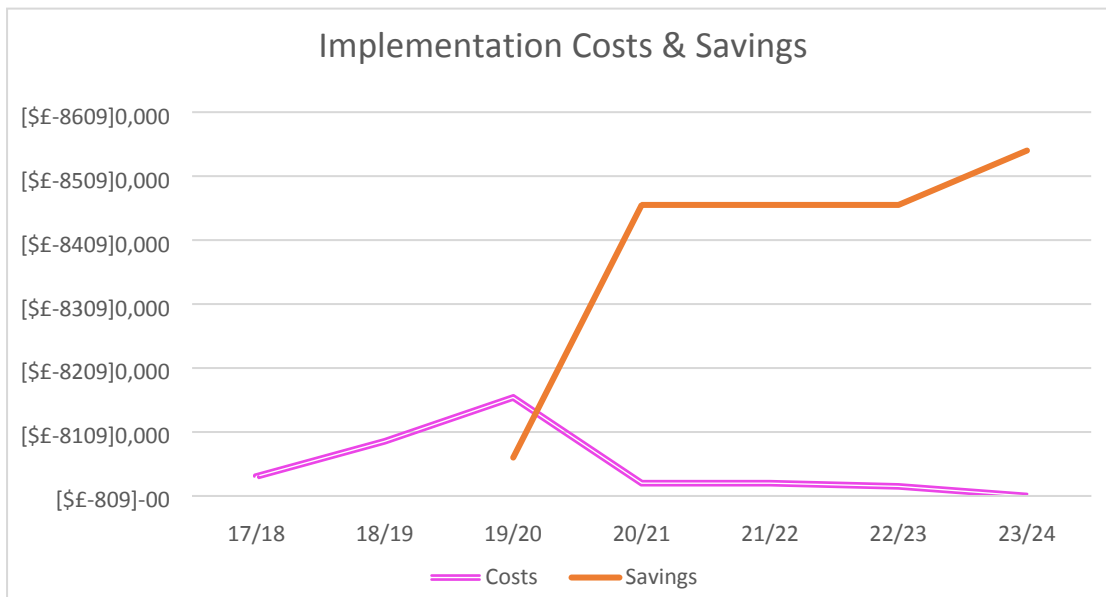
<u>Financial Summary</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>
Planning and Implementation Costs (one-off)	30,500	85,500	154,000	20,000	20,000	15,000	0
Annual Efficiency Savings	0	0	-60,000	-455,000	-455,000	-455,000	-540,000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

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

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

9.21 Modelling of one-off costs of planning and implementation are predicted to be £325,000 as below. Savings of up to £0.5 million a year are predicted. These

savings are not service cuts and would be from efficiencies from back-office costs. The number of staff posts affected would be in the single figures (i.e. less than 10) and would be minimised as much as possible from natural turnover.



9.22 There would be benefits from the scale of a single council seen through increased leverage when looking to purchase goods and services and delivering services across a single geographical area.

9.23 Savings would be realised from the first year of the Council’s operation. While the financial modelling assumes no reduction in Councillors until 2023/2024, there is the potential for interim measures from the 2019 elections which would generate some savings earlier.

### 9.28 Council Tax Equalisation

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

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

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

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

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

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

## 10. Risks and Opportunities

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

### Risks

10.2. *One partner does not agree to Single Council Proposal and a reputation risk if Government intervention is necessary:* if one Partner Council does not agree then there is a significant risk that the Council will not attain financial sustainability as a combination of measures are required. If there is

Government intervention then this will have a reputational risk for the Council, and have adverse financial impact and limit the control of the Council in relation to its own future.

- 10.3. *Not meeting the timetable for submission:* if the Council has not agreed to submit proposals to the DCLG by the Autumn it is likely that there will be no parliamentary time to consider such proposals during the current parliament which will mean that the Council may not achieve the financial sustainability it needs. A timetable has been drafted to ensure that the Council submits the proposal in time for DCLG consideration.
- 10.4. *Not accepting the proposal and delays at DCLG:* whilst we have received strong indications that the DCLG supports proposals for single councils between two or more authorities, there is no guarantee that the DCLG will accept the proposal and issue the appropriate regulations to enable us to proceed. If there are delays in the timetable by the DCLG then it is likely that the regulations would not be made in the summer of 2018. Delays after this are likely to mean that there is insufficient parliamentary time to consider proposals for a single council until during this parliament. This is outside the control of the Council.
- 10.5. *Customer remoteness from Council Offices:* there would be no immediate changes to the office locations however a priority for the new council would be to develop its asset strategy and consider locations for service delivery. Although the council will continue to enhance its digital and online access routes, local presence will be important. The Locality Team will play a critical part in ensuring a presence across the area.
- 10.6. *Expected financial benefits are not realised:* The savings identified in this report are considered to be robust. Where savings or increased income are likely but not quantifiable, these figures have not been included in the calculations. Delivering services through one Council may also provide future opportunity to consider how services are delivered across the new area – for example, aligning our Waste service across the area (South Hams currently in house West Devon Outsourced).
- 10.7. *Confusion for residents, businesses and partners during the implementation of the new council / adverse response to consultation:* A detailed and extensive communications and engagement plan has been developed to ensure that all stakeholders are clear on the changes. In reality, there should be very little difference – other than the change of name of the new council and new bank account etc. From the point of decision by DCLG, we would have 8 months to implement the new Council to be ready by 1<sup>st</sup> April 2019, during which we would communicate through a number of channels.

10.8. *Uncertainty around future external environment:* Having recently concluded a general election and now entering into Brexit negotiations, Local Government is still in a period of uncertainty however our Medium Term Financial Strategy sets out clearly the financial positions for both Councils and action needs to be taken to ensure future sustainability of services. A single new council will have greater resources available to it and will therefore be more resilient and more able to adapt to future challenges.

10.9. *Political change and conflict between the Councils:* Councils are political organisations and the current Partnership between the two councils carries significant risk to its sustainability in the event of conflict arising in the event of political change, or through conflict arising between the councils. This risk could result in the breakup of the partnership arrangement and the loss of the shared services savings to date, causing intolerable financial pressure for both Councils and this risk would be mitigated by the creation of a single Council.

## **Opportunities**

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

### **Improved local public services**

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

### **Greater value for money**

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

### **Stronger local leadership**

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

### **Cost savings**

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

### **A sustainable future**

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

## **Appendices**

Appendix 1 - Map showing proposed Council Area

Appendix 2 – Analysis of current Councillors and population served

Appendix 3 – Details about the Council areas



Appendix 1

# Map of proposed Council Area



## Appendix 2

# Existing Councillors by population

South Hams District Council 2017				West Devon Borough Council 2017			
Ward	Cllr Numbers	Electorate	Per Cllr	Ward	Cllr Numbers	Electorate	Per Cllr
1 Allington & Strete	1	2416	2416	1 Bere Ferrers	2	2972	1486
2 Bickleigh & Cornwood	1	2287	2287	2 Bridestowe	2	2611	1305
3 Blackawton & Stoke Fleming	1	1840	1840	3 Buckland Monachorum	2	3057	1528
4 Charterlands	1	2257	2257	4 Burrator	2	2964	1482
5 Dartington & Staverton	1	2090	2090	5 Chagford	1	1232	1232
6 Dartmouth & East Dart	3	6361	2120	6 Dartmoor	1	1414	1414
7 Ermington & Ugborough	1	2216	2216	7 Drewsteignton	1	1429	1429
8 Ivybridge East	2	4322	2161	8 Exbourne	2	3109	1554
9 Ivybridge West	2	4748	2374	9 Hatherleigh	2	2404	1202
10 Kingsbridge	2	4579	2289	10 Mary Tavy	1	1377	1377
11 Loddiswell & Aveton Gifford	1	2161	2161	11 Milton Ford	1	1515	1515
12 Marldon & Littlehempston	1	2305	2305	12 Okehampton North	3	4003	1334
13 Newton & Yealmpton	2	4984	2492	13 Okehampton South	2	2940	1470
14 Salcombe & Thurlestone	2	4085	2042	14 South Tawton	1	1609	1609
15 South Brent	2	4205	2102	15 Tamarside	1	1432	1432
16 Stokenham	1	2223	2223	16 Tavistock North	3	3778	1259
17 Totnes	3	6747	2249	17 Tavistock South East	2	3038	1519
18 Wembury & Brixton	2	3774	1887	18 Tavistock South West	2	2982	1491
19 West Dart	1	2068	2068				
20 Woolwell	1	2310	2310				
<b>Wards x 20</b>	<b>31</b>	<b>67978</b>	<b>2193</b>	<b>Wards x 18</b>	<b>31</b>	<b>43866</b>	<b>1415</b>

Cllrs	Total Electorate	Av per Cllr	Cllrs	Total Electorate	Av per Cllr
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## Appendix 3

# Details about South Hams District Council and West Devon Borough Council

### South Hams

- 1.1. South Hams is the fifth largest geographical district in Devon in both size and employment terms and has the highest business density. Due to the location of Dartmoor National Park within the district's borders, the coastline having Area of Outstanding Natural Beauty status, as well as a number of popular tourist attractions, tourism plays an important role in the South Hams economy. The area's roles are reflected in its sectoral structure as is South Hams' employment specialism in manufacturing.
- 1.2. South Hams has a low population density of 1.04 persons per hectare (the England average is 4.1), and only 4 of South Hams' 61 parishes, have a population density above this average.
- 1.3. South Hams District Council has its administrative centre in Totnes and has 31 Councillors across 20 wards serving 84,500 people - an average of 2,193 electorate per Member.

### West Devon

- 1.4. West Devon is the largest geographical district in Devon and is predominantly rural, with almost half of its area falling inside Dartmoor National Park boundary. The Borough is sparsely populated and has a high employment rate, boosted by high self-employment and out-commuting. The accommodation and food sector is highly represented, reflecting the large visitor economy generated by the National Park. Workplace wages in the district are exceptionally low (just 75% of the national average) and therefore many travel outside the district to access higher paid employment.
- 1.5. The Borough has a low population density of 0.5 people per hectare, considerably below the English average of 4.1, with only three of the Borough's 55 parishes with a population density above this average.
- 1.6. West Devon Borough Council's offices are in Tavistock; however as the majority of employees are shared between both Councils, office based services are largely delivered from the South Hams office in Totnes. The Council also has a small office and customer service centre in Okehampton. West Devon comprises 31 Councillors across 18 wards serving 54,400 individuals with an average of 1,415 electorate per Member.