

Report to: **Special Council**

Date: **31 October 2017**

Title: **Proposal for a Single Council for West Devon and South Hams**

Portfolio Area: **Leader of the Council**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview & Scrutiny Committee**

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

Date next steps can be taken: **N/A**

Author: **SH/WD Joint Steering Group** Role:

Contact:

The SH/WD Joint Steering Group RECOMMENDS that the Council:

- 1. Submits a proposal to the Secretary of State no later than 30 November 2017 to form a single second-tier Council for South Hams and West Devon from 1 April 2020, as set out in Section 3 of this report.**

Subject to recommendation 1 being agreed, that the Council agrees:

- 2. The Council Tax Equalisation Strategy as set out in Section 5 of this report.**
- 3. That the final wording of the proposal to the Secretary of State is delegated to the Head of Paid Service in consultation with the Members of the Hub Committee and the Chairman of the Overview & Scrutiny Committee.**

1. Executive summary

- 1.1 The Joint Steering Group (JSG) was tasked by West Devon Borough Council and South Hams District Council to consider options to achieve financial sustainability and address the forecast budget deficit for both Councils; one of those options is the formation of a single Council (One Council), and the intention of the One Council proposal is to respond to severe financial public sector constraints, maximise efficiencies and simplify the way that the Councils work, whilst protecting and investing in the services that the Councils provide.
- 1.2 The One Council proposal is the formation of a single District Council for the West Devon and South Hams areas. A new single Council will inevitably be different from the two existing Councils and will build its own vision through engagement with its Councillors, and through them its communities and local

businesses. Central to the proposal to create One Council is the need to ensure that the Councils can continue to meet the challenges that they are facing and to take full advantage of opportunities. During 2015/16 the Council reviewed its priorities and Members agreed that their top priority was to achieve financial sustainability. Members also stated that they did not want to see a reduction in the level and quality of the services delivered to their communities. Details of the proposal are set out in Section 3 of this report.

1.3 At their meetings on 25 and 27 July 2017 respectively, West Devon Borough Council and South Hams District Council considered a report detailing proposals to create a single Council. The Councils considered the rationale for One Council; the effects of the proposal on residents and stakeholders; governance; the Department of Communities and Local Government's (DCLG) requirements, including the need for consultation; financial implications; other options considered, and risk implications. A copy of the July Council report is attached at Appendix A for Members' ease of reference.

1.4 At the respective Council meetings on 25 and 27 July 2017 the Councils agreed:

- to consider establishing a single second-tier Council for South Hams and West Devon from 1 April 2020;
- to proceed to consultation with the public and stakeholders from early August until the end of September 2017 with delegated authority being given to the Joint Steering Group to agree the final contents of the consultation document prior to its publication;
- to bring back to the Council for consideration (as soon after the expiry of the consultation periods as is practically possible) the outcome of the consultation together with the final Proposal for submission to the Secretary of State;
- [South Hams only]: to task an independent person with reviewing the final version of the consultation prior to publication.

1.5 The purpose of this report is to set out the recommendations of the JSG that the Councils agree:

- To submit a proposal to the Secretary of State before 30 November 2017 to form a single second-tier Council for West Devon and South Hams from 1 April 2020 (see section 3 of this report);
- The Council Tax Equalisation Strategy set out in Section 5 of this report;
- That the final wording of the proposal to the Secretary of State is delegated to the Head of Paid Service in consultation with the Members of the Hub Committee and the Chairman of the Overview & Scrutiny Committee.

1.6 The Councils carried out a full consultation process between 14 August and 9 October 2017 and this report also summarises the consultation process and responses together with the Overview & Scrutiny Committee's recommendations following consideration at its meeting on 17 October 2017 (please refer to section 4 and Appendices B and C).

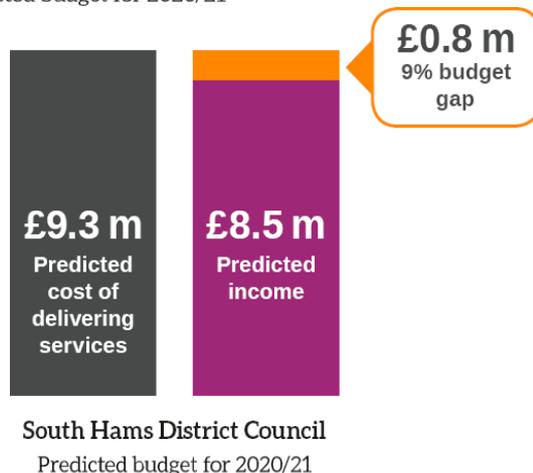
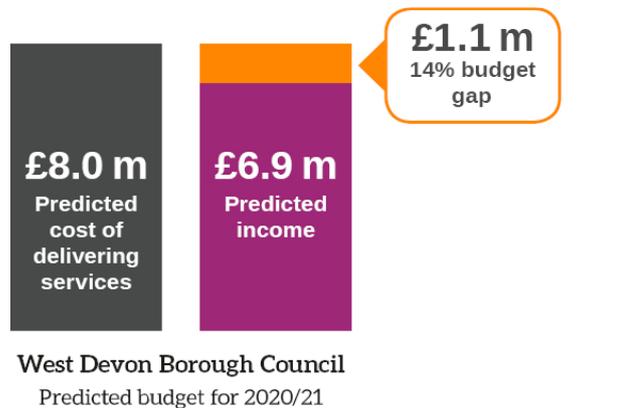
1.7 If Members agree to submit a proposal to the Secretary of State for One Council, it is very important to adhere to the timetable attached at Appendix D. DCLG has confirmed that there is a short window of opportunity to submit

a proposal, and that the earliest date for implementation is April 2020, which will enable the required parliamentary stages of the process to be completed. The next Borough and District Council elections would be deferred to May 2020 to enable an Electoral Review by the Local Government Boundary Commission for England to be undertaken beforehand to look at the wards, ward boundaries, and numbers of councillors to ensure electoral equality across the new Council area. The DCLG has further advised that any delay in the submission of a proposal to the Secretary of State will mean that it is very unlikely that the creation of One Council could be achieved before April 2023, because of the Government's Brexit commitments.

- 1.8 If a decision to submit a proposal is not made at this meeting, the opportunity for the Secretary of State to make a decision in time to implement a new Council by April 2020, is lost, the financial benefits as detailed in Section 5 below would not be achieved, and there is a significant risk that both Councils would not be able to meet their statutory requirements to achieve balanced budgets in the medium to long term. Members are referred to the Implications in Section 9 of this report.

2. Background

- 2.1 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. Therefore the scale of the financial challenge is £1.9 million by 2020/21 as shown below.



- 2.2 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 will receive no Government funding in the form of 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.
- 2.3 Other options are also currently being considered as part of a package of measures (such as outsourcing of some services and the commercial property acquisition proposals) and have been the subject of separate reports to this Council. The strategy being advocated by the JSG is to implement a number of different schemes, not only to meet the immediate funding gap but to ensure financial sustainability for the medium to long term. If the option to submit a proposal for One Council is agreed, it will not be progressed at the expense of the other options. However no single option is recommended to meet the financial challenge on its own. Each option will derive benefits on differing timescales, some have the ability to deliver benefits straightaway, others will realise benefits over a longer term.
- 2.4 The One Council proposal does not impact adversely on service delivery as the Councils already have a shared workforce and customers are unlikely to notice an immediate difference in services. On day one of One Council, 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, and continuing strong connections between local councillors and their communities. It is only the governance arrangements that would be affected. There is currently no proposal to change the Council offices and a new Council would operate from both main bases initially with no significant impact on residents or businesses. However, discussions about future premises will begin once a decision is received from the Secretary of State, which may generate significant commercial and efficiency opportunities.
- 2.5 As a result of the Councils shared services partnership (since 2007) and the fully shared non-manual workforce since 2015, South Hams annually saves £3.9 million whilst West Devon annually saves £2.2 million. As the financial section (section 5 below) makes clear, a key financial driver of the proposal for One Council is to protect this £6.1 million ongoing annual savings achieved through shared services and the T18 programme and to maximise each organisation's efficiency to address future financial challenges. The One Council proposal would also help financial sustainability, ensuring resilience of much-valued local Council services enabling us to best support businesses and residents.
- 2.6 There would be significant financial advantage arising from the proposal both in relation to additional efficiencies of over £0.5 million per year from staff efficiency reductions, and the increased Council Tax income of up to £2.5m per annum by the end of the equalisation period. The single Council would have a single level of Council Tax after a period of harmonisation. The South Hams Council Tax would be increased up to the West Devon Council Tax level over a period of years. The financial section of this report (section 5) sets out a Council Tax Equalisation Strategy, and the positive impact this would have on the financial sustainability of the Councils and the continued delivery of services.

2.7 **Why form a single Council?**

The two Councils are more marked by their similarities than their differences. The shared services efficiency savings that have been made in the past mean that the finances of the Councils are inextricably linked and operationally the two Councils are interdependent. This is due to the degree that services and staff have been shared since 2007 with over £6 million shared services savings being achieved annually. Therefore the financial challenges that the Councils face are a shared challenge.

2.8 West Devon Borough Council and South Hams District Council currently have a Partnership Agreement, with a completely shared workforce (with the exception of South Hams' manual workers). There is a strong history of the Councils working together to achieve savings and efficiencies since 2007 to mutual advantage. In 2013 the Councils took the sharing of services a stage further with the T18 Transformation Programme which has resulted in a shared workforce and has successfully delivered efficiencies in monetary terms (joint savings of £6.1 million from T18 and shared services) together with efficiencies in the delivery of its services. The clear priority of both Councils is to achieve financial sustainability in order to continue providing services to their local communities, and the creation of a single Council is the next logical step.

2.9 Nationally, since 2010 Local Authorities have been subject to increasing budgetary pressures, decreasing grant income from Central Government and the complete withdrawal of the Revenue Support Grant by 2018-19 as well as uncertainty around the future of the business rate retention (which was omitted from the 2017 Queen's speech); this all means Councils need to alter the way in which they operate. Current Government policy is to encourage increased partnership-working, and to support Councils who wish to create combined authorities, and other local solutions. Other second-tier councils are also pursuing the combined authority option including Suffolk Coastal & Waveney and West Somerset & Taunton Dean who have now sent in proposals to the Secretary of State.

2.10 The JSG has considered unitary and wider shared service options, however, there is no current interest from other Devon authorities in terms of further sharing or provision of services, or for creating a larger single Council. Officers will continue to explore any possibilities that arise, but pursuing the creation of a single Council between South Hams and West Devon would not preclude these dialogues. It is clear that there is no current appetite locally for a Unitary Council in Devon (and the unitary agenda is not currently being pushed by Central Government).

2.11 The overarching financial strategy being advocated by the JSG is to implement a number of different schemes, not only to meet the immediate funding gap but to ensure financial sustainability for the medium to long term. Each scheme will vary in risk profile, achievability and the impact on our finances. By implementing a number of solutions rather than over-reliance on one option, the Councils will spread the risk and maximise the benefits.

3 The Proposal for One Council

- 3.1 The recommendation is to submit a proposal to the Secretary of State to form a single new District Council from April 2020 for the areas that are currently served by West Devon Borough Council and South Hams District Council.
- 3.2 One Council is a natural continuation in the shared service journey between the two Councils. The Councils are currently interdependent on each other due to the fully shared non-manual workforce and delivery of services. By removing the remaining complexities and duplication inherent in serving two bodies, One Council will be simpler (and more cost effective) to run and manage.
- 3.3 One Council will be a democratically sound model and will end the need for separate decisions on similar and shared issues by each Council; this will result in more efficient decision making on matters affecting the whole area.
- 3.4 One Council will be more resilient and better able to face the significant changes and challenges that local government expects to face in the future.

3.5 Governance:

- 3.5.1 One Council would build on and consolidate the current shared working by Members.
- 3.5.2 Whilst there is no proposal to reduce the number of Councillors from the current total numbers of 62 Members before the implementation date, it is expected that the number of Members would be reduced by approximately 20% across both Councils from April 2020 following the Electoral Review by the Boundary Commission.
- 3.5.3 By law, One Council would operate executive arrangements and it is proposed that the new Council operates a Leader with a 'Cabinet' and the change in terminology from Executive and Committee system, will signify a positive change from both current structures. A Cabinet can comprise up to 10 members, and whilst this is a matter for the new Council, the JSG has recommended that the Cabinet comprises between 6 and 8 members in accordance with best practice, and 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.
- 3.5.4 There will be a reduction in the overall number of council bodies (and a consequent reduction in administrative support) for a single organisation (Council, Cabinet, Audit Committee) but the proposal is that the new Council will have two Development Management Area Committees, and an Overview & Scrutiny Committee comprising members not on the Cabinet, with the opportunity of the Overview & Scrutiny Committee being chaired by a member of the minority groups.
- 3.5.5 If the Council agrees to submit the proposal to the Secretary of State, the Councils will need to set up interim arrangements which will cover firstly, the period from submission of the proposal to approval of the Order by the Secretary of State, and secondly, from the period of approval to implementation of the new Council. There are powers in the Local Government Act 1972 which would enable a formal joint committee to be set up to take decisions which will impact on the new Council, such as matters

relating to assets, disposals, acquisitions and borrowing. It is recommended that the current JSG continues to consider these issues up until the Order is made, with decisions being referred to the respective Councils.

3.6 The proposal to the Secretary of State will include details in support of the five key principles adopted by DCLG for considering proposals for combining authorities, namely:

- Improved local public services
- Greater value for money
- Stronger local leadership at a strategic and local level
- Significant cost savings
- A sustainable future in the medium to longer term

3.7 Improved local public services:

3.7.1 Secure the future financial viability of local government services across South Hams and West Devon, in the face of a changing and challenging financial future in the next decade.

3.7.2 Shaping the arrangements for local government for the future by providing self-sufficient and resilient local government across South Hams and West Devon, to support our residents and business communities in achieving their ambitions.

3.7.3 Releasing capacity through serving One Council rather than two, which can be refocussed on maintaining and improving services to our residents and businesses; the Council could realise over £0.5 million per year from staff efficiencies, plus increased council tax income of £2.5 million per year (by the end of the equalisation period).

3.7.4 Longer term financial stability will enable the improvement and delivery of further services and investment in our communities.

3.7.5 Greater and consistent democratic accountability through a single and simplified decision-making model for the new area.

3.7.6 Simplification in the relationships with other organisations as a single voice.

3.7.7 By applying unified and consistent policies for business and communities across the wider geographical area.

3.8 Greater value for money

3.8.1 Protecting the annual shared operating savings of £6million per annum.

3.8.2 Removing the complexities inherent in serving two councils; a single council has less complex and costly administration.

3.8.3 A single Asset Strategy to maximise assets across the whole area.

3.8.4 Increased income from Council Tax of £2.5 million (by the end of the equalisation period) which will contribute towards the funding gap and improving valued services.

3.8.5 Financial self-sufficiency for the two Councils.

3.9 Stronger local leadership

- 3.9.1 Influence locally, regionally and nationally as the largest district in Devon.
- 3.9.2 Having a stronger voice in the context of the Devolution programme.
- 3.9.3 The combined and more consistent support of four members of parliament and 11 County Councillors.
- 3.9.4 Local, faster decision-making by Councillors of the new Cabinet with defined portfolio powers.
- 3.9.5 Increased community-focussed role for non-cabinet councillors.

3.10 Cost savings

- 3.10.1 Achieving annual savings of over £0.5 million that is currently spent on supporting two councils.
- 3.10.2 New income from contracts and systems requirements when the dual arrangements are replaced by cheaper single contractual relationships.
- 3.10.3 Whilst there is no current proposal to change either of the Council offices, and One Council would operate from both main bases initially, a future decision to operate from one main office would deliver longer term savings.
- 3.10.4 By operating a single financial system with one set of accounts and one Audit of accounts.
- 3.10.5 Fewer committees and council bodies and associated officer support.

3.11 Sustainable future

- 3.11.1 Increased income (£2.5 million per annum) in the longer term from the equalisation of Council Tax to give the new Council a strong resilient financial base and providing financial self-sufficiency for the two Councils.
- 3.11.2 The sustainability and improvement of existing valued services and the opportunity to deliver additional services.
- 3.11.3 A stronger base for future collaborative working with other organisations.
- 3.11.4 The two District Councils are more marked by their similarities than their differences.
- 3.11.5 Reduction in the risk arising from either Council failing to set a balanced budget and the resulting adverse impact on the other Council.
- 3.11.6 Protection of the savings already achieved through extending the joint working arrangements into a permanent solution.
- 3.12 The proposal will include recommendations for a Hardship Fund for South Hams Council Tax payers who are experiencing financial difficulties resulting from the equalisation element of the Council Tax increase.
- 3.13 The proposal will also set out the benefits for creating a single Council (as well as the risks set out in section 9 below).

- 3.14 The full consultation results will also be submitted to the Secretary of State with the proposal.

4 The Consultation – process and responses

- 4.1 In order to submit a proposal for One Council to the Secretary of State, the Council must demonstrate that the Councils have fully consulted on the proposal. The Council agreed on 25 July 2017 to consult with the public and stakeholders and an extensive consultation was carried out between 14 August and 9 October 2017. The Secretary of State has not been prescriptive as to how the Council undertakes a consultation; it is a matter for individual councils to decide how to engage with local people, businesses and organisations, however the Council has sought specialist independent advice to ensure the consultation is inclusive and fair.
- 4.2 The One Council consultation process and consultation responses were reported to the Overview & Scrutiny Committee on 17 October 2017 and the report and response summary that the Committee considered are attached as Appendices B and C respectively.
- 4.3 In brief, 3.02% of the combined population for South Hams and West Devon responded to the consultation (3.33% of the South Hams population and 2.54% of the West Devon population). Of those who expressed a view either for or against the proposal for One Council, 24% said 'yes' and 76% said 'no'. These percentages represent both authorities across all channels namely online, telephone and postal (paper) surveys (see Appendix C).
- 4.4 The Overview & Scrutiny Committee was asked to consider the consultation process and the responses and make recommendations to full Council. Overview & Scrutiny Members considered that the consultation process had been robust and sound and recommended that 'That the Overview and Scrutiny Committee has considered the consultation process and response'.
- 4.5 If the Council agrees to submit a proposal for One Council to the Secretary of State, it will include the full results of the consultation for consideration by the Secretary of State when making his decision.

5 Finance and the Council Tax Equalisation Strategy

- 5.1 Cost of Implementation and Efficiencies and Savings
Modelling of one-off costs of planning and implementation are predicted to be up to £325,000 as shown below. This is for costs such as IT costs, public consultation, remodelling of Council finances, legal costs and a prudent estimate for any redundancy and pension strain costs.
- 5.2 Savings of over £0.5 million a year are predicted. These savings are not frontline service cuts and would be from efficiencies from back-office activities. The number of staff posts affected would be in the single figures (i.e. less than 10) and it is hoped that this could be largely addressed through natural turnover. However, redundancy and pension-strain costs have been included within the financial modelling as a worst-case scenario.
- 5.3 Becoming One Council would mean releasing some capacity absorbed by serving two bodies. This would reduce the amount of time spent on complex or duplicated processes. Financial systems would be simpler, with single reporting requirements, with a removal of the complexities of recharging money between both Councils and the need for two sets of reconciliations

(such as bank reconciliation, control account reconciliations, shared services reconciliations etc.). This would release some staff capacity as a result of more simple and effective ways of working, allowing staff to focus on the delivery of key projects and strategic priorities.

- 5.4 The table below shows the one-off implementation costs of up to £325,000 and the annual savings predicted of over £0.5 million per annum. The one-off investment costs of £325,000 are paid back mid-way through the second year (2021/22).
- 5.5 The table also shows the additional income generated from council tax under a five year equalisation period (Option 2 of Appendix E), which is shown for illustration purposes only. Other equalisation periods have been modelled which are shown in Appendix E.

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Planning and Implementation costs							
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
Implementation Costs (one-off)	15,500	50,500	74,000	130,000	20,000	20,000	15,000
					Total Implementation costs		325,000
Savings							
			2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Staff efficiency reductions					-370,000	-370,000	-370,000
One Financial Ledger (50% reduction) including reductions in processing recharges between councils etc					-25,000	-25,000	-25,000
Accommodation rationalisation (TBA)							
Member reductions (20% of £425,000)				-85,000	-85,000	-85,000	-85,000
Reduction in subscriptions and memberships				-20,000	-20,000	-20,000	-20,000
Reduction in Audit Fees				-40,000	-40,000	-40,000	-40,000
Annual Savings			0	-145,000	-540,000	-540,000	-540,000
						Total Savings	-1,765,000
Increased Income							
			2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Council Tax equalisation (Equalisation over 5 years is shown)				-488,000	-987,000	-1,489,000	-1,999,000
Net cost/(additional income)	15,500	50,500	74,000	-503,000	-1,507,000	-2,009,000	-2,524,000

- 5.6 If the proposal is approved, the implementation costs would be paid from each Council's Unearmarked Reserves for the years 2018-19 and 2019-20, and then funded from the savings which occur from 2020-21 onwards. These costs would be split to each Council 50%/50%.
- 5.7 The table above shows that by 2020/21 the net income position is £503,000 for the Single Council and this rises to £1.507 million by 2021/2022 (using a council tax equalisation period of 5 years for illustrative purposes). By Year three (2022/23) the net income raised is £2.009 million and then this increases to £2.524 million by Year 5. The Single Council Proposal being considered by the Joint Steering Group is one of two options which are the most likely to achieve financial stability for both Councils. The other option is the commercial property acquisition strategy. Neither of these two options will meet the immediate budget deficit for 2018/19 so in any case the Council will also need to consider some other short term solutions through the budget setting process this year for 2018/19.

5.8 **Council Tax Equalisation Strategy**

Appendix E sets out possible options for the equalisation of Council Tax. This has been amended following the meeting with DCLG on 21 July 2017 and further modelling has been undertaken on a longer equalisation period and re-profiled accordingly. There are many different ways in which this could be achieved. There is currently a £62.97 difference in Band D Council Tax levels between South Hams (£155.42) and West Devon (£218.39) for 2017/18. DCLG have indicated that Council Tax can be equalised over a longer period and additional modelling has been carried out over 6, 7 and 10 year periods.

- 5.9 Appendix E shows the efficiency savings and additional income generated from Council Tax equalisation under each option of equalising over 3,5,6,7 and 10 years. All of this modelling has formed part of the consultation with stakeholders.
- 5.10 The benefits of equalising over a shorter period are that the additional income from council tax equalisation materialises at an earlier date, which generates more income to be used to benefit the community and to deliver services. However the drawbacks of a shorter equalisation period are that it means a higher increase in council tax in the earlier years for South Hams residents. A hardship fund for council tax payers in the South Hams could be set up to assist council taxpayers with the cost of equalisation.
- 5.11 If a longer equalisation period is implemented, this will mean that the increase in council tax for South Hams residents is lower in the earlier years as it will be spread out over a longer period. A longer equalisation period assists with the affordability of the increase in the South Hams council tax for residents. This does mean that other income or efficiencies would need to be generated from elsewhere in the earlier years.
- 5.12 Having taken the above into account, along with the results of the public consultation, the equalisation strategy being advocated by the JSG is:
- i) For equalisation to take place over a period of up to 10 years, and
 - ii) That the amount raised in any given year be set by the new Council and should not exceed a certain pre-determined monetary limit. This capped amount in any given year would be agreed with the Secretary of State, but would not exceed £20 in any given year (this would include the £5 increase already forecast by the Councils. £5 is the current District Council maximum increase for council tax in any one year).

6 **Outcomes**

- 6.1 The successful outcome of the proposal will be the establishment of the single District Council in April 2020, once the regulations have been approved by the Minister, and the implementation changes have been completed. Following this point, efficiencies and improvements in service delivery can be achieved.
- 6.2 The success of the proposal will be initially demonstrated by endorsement from the MPs and Devon County and through the support of our communities and stakeholders and the subsequent approval of the Proposal by the Secretary of State. If the Proposal is approved, a legislative Order will be made, and a single Council created on 1 April 2020. Success can be

measured with balanced budgets and a sustainable medium to long term financial plan with no detriment to services and a stronger local voice.

7 Options available and consideration of risk

7.1 The report to Council of 25 July 2017 (Appendix A) set out the range options considered by the JSG which included a 'do nothing' option, extending shared services, cut/ reduction in services, outsourcing, Council Tax Referendum, and the property acquisition strategy. The options were evaluated by the JSG in the context of financial sustainability and ability to address the forecast budget deficit. Options such as Channel Shift are already being progressed as business as usual, and Fees & Charges are reviewed annually already. Service reductions had previously not been an option for Members and it was agreed that it was more appropriate to consider this option through the budget process. A council tax increase above £5 would involve a referendum costing approximately £230,000 (£130,000 for South Hams and £100,000 for West Devon). In addition, there would be re-billing costs of approximately £50,000 if a 'No' vote were returned from the referendum. There have been very few council tax referendums nationally, but of those that have been undertaken, none have been successful. A referendum was not considered to be viable as a stand-alone option due to the costs, uncertainty of outcome and the fact that raising income through council tax could be explored through the One Council option which does not require a referendum.

7.2 The options considered vary in risk profile, achievability, and impact on the Council's finances. By implementing a range of measures and solutions the Council is spreading and mitigating its risk and maximising the benefits. The two schemes most likely to achieve financial sustainability are the commercial acquisition strategy and the One Council proposal - neither of which will meet the immediate budget deficit for 2018/19, therefore the Council will also need to consider some other short term solutions through the budget setting process this year. All of the options contribute to closing the budget deficit, but they don't all give the wider non-financial benefits given by the One Council option that are identified above.

7.3 The One Council proposal has the ability to meet the financial challenge and protect services in the long term. All elements within the control of the Councils are easily achievable and relatively low cost to implement. There is a dependency on DCLG to approve the proposal and adhere to the timetable set out in order to achieve implementation for April 2020.

7.4 Risks have been considered in section 9 below.

8 Proposed Way Forward

8.1 The JSG recommends that the Council submits a proposal to the Secretary of State to create One Council for the areas covered by West Devon and South Hams, agrees the Council Tax Equalisation Strategy set out in section 5.8 above, and delegates the final wording for the proposal to the Head of Paid Service in consultation with the Members specified in the recommendation.

9. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
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<p>Statutory Officers' Panel comments</p>	<p>Y</p>	<p>The considered, professional advice of the Council's Statutory Officers (Head of Paid Service, Section 151 Officer, and Monitoring Officer) together with the Executive Director Service Delivery & Commercial Development, is that the One Council option will, in the medium to long term, protect the future sustainability of the Councils for the following reasons:</p> <ul style="list-style-type: none"> • The proposal has arisen out of an aim to secure the future financial viability of local government services across South Hams and West Devon, in the face of a changing and challenging financial future in the next decade. • The One Council Proposal shapes the arrangements for local government for the future by providing self-sufficient and resilient local government across South Hams and West Devon, to support our residents and business communities in achieving their ambitions. • A Single District Council is an extension of the Councils' shared commitment to working in partnership to make a difference across South Hams and West Devon. • The Council and its Members have a statutory duty to set a balanced budget. Failure to set a balanced budget may have significant financial, administrative, reputational and legal implications, including potential individual liability of any member who contributed to the failure to set a balanced budget. • The Council as a corporate body and members (both individually and collectively) have a fiduciary duty to council tax payers to avoid actions that would result in loss of revenue or failure to deliver services. In addition to Members' legal obligation, they also have the moral and democratic obligation to set the budget on behalf of the people who elected them. • There is always a tension between Members' desire to vote for what they believe to be the right decision on the one hand and the legal obligation to set a lawful budget on time and avoid any loss to the Council. There is also a tension between short-term solutions and the need for longer-term balancing of the budget. These challenges are greater at a time of financial austerity and continued cuts in services. Each budget setting has its own dynamics and permutations but
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members should always strive to facilitate the setting of a lawful budget.

- The risks to the One Council Proposal are set out below under 'risks' but once a decision has been made to submit a proposal to the Secretary of State, there is a very low risk to the Council from a governance perspective:
 - A new Constitution (and associated procedures and documents) will be drafted to cover the new Council from day 1 of the new organisation.
 - A Shadow Implementation Board will anticipate future issues and have the power to make decisions on future matters ahead of the implementation date.
- 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, which would be extremely difficult because the Councils are inextricably linked following the sharing of staff and processes. The loss of the shared services savings to date of £6.1 million per annum, (estimated to be £3 million in South Hams and £1.8 million in West Devon) together with having to find resources to support the delivery of services as sole Council, would cause intolerable financial pressure. This risk would be mitigated by the creation of a single Council.
- If either Council were unable to set a balanced budget in the medium term e.g. 2020 onwards, there would be a significant financial impact on the other Council due to the degree to which there is a single workforce across both Councils.

The Financial Challenge

The Councils' Senior Officers have severe concerns over the future financial stability of both Councils from 2020 onwards and into the next decade.

The scale of the financial challenge is such that 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. Therefore the scale of the financial challenge is £1.9 million by 2020/21.

		<p>This is after already factoring in and modelling that council tax will be increased by £5 annually in both Councils.</p> <p>The proposal for a Single Council would build upon the existing shared workforce and joint working. A Single Council is the next logical step to the Councils' Joint Transformation Programme (T18), in the view of the Councils Statutory Officers' Panel.</p> <p>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.</p> <p>In looking ahead to the future, 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.</p> <p>There would be significant financial advantage arising from the proposal, both in relation to additional efficiencies of over £0.5 million per year from staff efficiency reductions, and the increased council tax income of £2.5 million annually by the end of the council tax equalisation period, which could achieve a sustainable financial future for both Councils.</p> <p>Equalisation of Council Tax will, in the longer term, produce income of £2.5 million per year 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. The increase in council tax income also provides a real opportunity to improve and enhance services and invest in the community, for example through affordable housing schemes and community grants.</p> <p>The One Council proposal has the ability to meet the financial challenge, improve the financial resilience of both Councils and protect services in the long term.</p> <p>If One Council is not progressed, there is very likely to be an increasing detriment to services.</p> <p>The alternative options for the Councils to consider to achieve the level of savings required, are reducing services or stop delivering some services entirely. These are likely to be contentious decisions.</p> <p>Strategic Advantages of One Council Proposal A larger Council, with a bigger population and local economy would allow the region more influence on the regional or national stage – having a larger voice among our peers and Central Government.</p>
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		<p>Risks of submitting a Proposal to the Secretary of State against the risks of not submitting a Proposal</p> <ul style="list-style-type: none"> • The single Council is considered by the Statutory Officers' Panel to be a very low risk option once the decision to proceed has been taken and gained parliamentary approval <ul style="list-style-type: none"> ○ Risk is that Councillors will not support submitting a proposal to the Secretary of State ○ Risk that Councillors defer the decision ○ Risk that once submitted there is a delay from the Secretary of State (due to Government matters beyond or control – e.g. General elections, lack of parliamentary time etc.) • There are much more substantial risks if the Councils do not decide to proceed. <ul style="list-style-type: none"> ○ Further service cuts and reductions ○ Serious risk of not setting a balanced budget for 2020/21 onwards ○ Risk of losing the benefits and savings gained from working in partnership ○ Risk of being required to form a single Council at a later date and being in a much more detrimental position as a result of the delay. ○ The Government has stated that Councils must find their own solutions to budgetary reductions and that they will not come forward with any additional funding as they do not reward failing Councils. <p>The Councils would be seen to be failing if they were unable to set a balanced budget in future years.</p>
Legal/Governance	Y	<p>Powers for the Councils to create One Council are set out in two key pieces of legislation.</p> <p>Sections 8 -10 of the Local Government & Public Involvement in Health Act 2007 and section 15 of the Cities & Local Government Devolution Act 2016. This latter piece of legislation is the preferred route of DCLG. It sets out a more expedited process for review of local authority areas and councillor numbers. Under this process, the request for a merger can be put directly to the Secretary of State. Proposals for the size of the new Council (i.e. number of Councillors) can also be put to the Secretary of State directly with the Boundary Commission carrying out an Electoral Review who look at the wards, ward boundaries and number of councillors to ensure electoral equality across the new council area.</p>

		<p>DCLG has also set out 5 key principles that it expects the Council to address in its proposal:</p> <ul style="list-style-type: none"> • Improved local public services • Greater value for money • Stronger local leadership at a strategic and local level • Significant cost savings • A sustainable future in the medium to longer term <p>The Local Government Act 1972 provides powers to set up a joint committee (with decision-making abilities powers) comprising Members from both Councils. It is recommended that the Member body (set up to consider issues on One Council if the proposal is submitted to the Secretary of State) considers the appropriate governance arrangements in this regard.</p> <p>A Council Tax referendum is not required to either form a new Council or to increase Council Tax by more than the current £5 / 1.99% through the equalisation of Council Tax process.</p> <p>Failure to set a balanced budget may have significant financial, administrative, reputational and legal implications, including potential individual liability of any member who contributed to the failure to set a budget.</p>
Financial	Y	<p>There would be significant financial advantage arising from the proposal, both in relation to additional efficiencies of over to £0.5 million per year from staff efficiency reductions, and the increased council tax income of £2.5 million per year by the end of the council tax equalisation period, which could achieve a sustainable financial future for both Councils.</p> <p>If the proposal is approved, the implementation costs could either be paid for from each Councils' Unearmarked Reserves, or funded from the savings which occur from 2020-21 onwards. These costs would be split 50%/50%.</p> <p>The options for equalisation of council tax are shown in Appendix E. The Equalisation Strategy being advocated by the JSG is:</p> <ol style="list-style-type: none"> i) For equalisation to take place over a period of up to 10 years, and ii) That the amount raised in any given year be set by the new Council and should not exceed a certain pre-determined monetary limit. This capped amount in any given year would be agreed with the Secretary of State, but would not exceed £20 in any given year (this would include the £5 increase already forecast by the Councils. £5 is the current District Council maximum increase for council tax in any one year).

		<p>The financial implications of the Asset Strategy are shown in Appendix D to the July Council report. A single Council would enable the assets of both Councils to be combined (£75 million South Hams and £20 million West Devon). No figures for savings have yet been modelled into the proposal.</p>
Risk	Y	<p><i>One partner does not agree to One Council Proposal and a reputation risk if Government intervention is necessary:</i> 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. Failure to set a balanced budget will have significant consequences which include, financial, administrative, reputational and legal implications, including potential individual liability of any member who contributed to the failure to set a budget please see the Statutory Officers' Panel comments above.</p> <p><i>Not meeting the timetable for submission:</i> if the Council has not agreed to submit proposals to the DCLG this 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.</p> <p><i>Not accepting the proposal and delays at DCLG:</i> 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.</p> <p><i>Customer remoteness from Council Offices:</i> there would be no immediate changes to the office locations (see section 2.4 above) 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.</p>

		<p><i>Expected financial benefits are not realised:</i> 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).</p> <p><i>Confusion for residents, businesses and partners during the implementation of the new council / Adverse response to consultation:</i> A detailed and extensive communications and engagement plan has been developed to ensure that all stakeholders are clear on the changes. From the point of decision by DCLG, we would have 18 months to implement the new Council to be ready by 1 April 2020, during which we would communicate through a number of channels.</p> <p><i>Uncertainty around future external environment:</i> 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 council will have greater resources available to it and will therefore be more resilient and more able to adapt to future challenges.</p> <p><i>Political change and conflict between the Councils:</i> 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 (£6.1 million annual ongoing saving) causing intolerable financial pressure for both Councils and this risk would be mitigated by the creation of a single Council.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	Y	<p>There has been extensive publicity and engagement with our customers and stakeholders during the consultation which will continue through any future phases. There will be no impact on the day to day delivery of Council services.</p> <p>The Council Tax Equalisation Strategy will have a greater impact on South Hams residents. The proposal recommends that a Hardship Fund for Council Tax payers</p>

		<p>in the South Hams could be set up to assist Council taxpayers with the cost of equalisation.</p> <p>Staff will be kept updated throughout and would TUPE into new Council, carrying out the same roles as they do now.</p> <p>An Electoral Review would be completed by the Boundary Commission before the formation of the new Council on 1 April 2020 (with the elections to the new Council being in May 2020) There will be one new governance structure and one Leader in the new Council.</p>
Safeguarding	N	None. No change to staff roles and their responsibilities.
Community Safety, Crime and Disorder	N	None. No change to staff roles and their responsibilities.
Health, Safety and Wellbeing	Y	Staff – will be transferred into the new Council carrying out same role at same location. Consultation will continue with staff and unions through the TUPE process. HR will provide support and drop in sessions for anybody concerned by change. Jobs should remain safe, services protected through a sustainable future.
Other implications	Y	<p>Finance/Budgets – JSG funding has been provided to develop the option of setting up of a new Council.</p> <p>Procurement/Contracts – existing contracts would look to be novated across to the new Council with existing terms and as they expire, new contracts will be drawn up.</p>

Supporting Information

Appendices:

- **Appendix A:** Council report on a single Council proposal dated 25 July 2017
- **Appendix B:** Report to Overview & Scrutiny Committee on the One Council consultation process
- **Appendix C:** Summary of Consultation responses
- **Appendix D:** Timetable for submission of Single Council proposal
- **Appendix E:** Council Tax Equalisation options

Background Papers:

Medium Term Financial Position for 2018/19 onwards