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Dear Councillor

SOUTH HAMS COUNCIL - THURSDAY, 24TH SEPTEMBER, 2020

I refer to the agenda for the above meeting and attach papers in connection with the following item(s).

Agenda No Item

- 6. **Amended 2020/21 Budget: Draft Proposals (Pages 1 - 26)**

- 8. **Fusion Support & Alternative Options (Pages 27 - 102)**

- 10. **Ivybridge Regeneration Project Update (Pages 103 - 120)**

- h) **Executive * (Pages 121 - 128)**

Yours sincerely

Darryl White
Senior Specialist – Democratic Services

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Agenda Item 6

Report to: **Council**

Date: **24th September 2020**

Title: **Amended Budget 2020/21**

Portfolio Area: **Budget Setting Process – Cllr Judy Pearce**

Wards Affected: **All**

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

Date next steps can be taken: **Council 24th September 2020**

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Recommendations:

It is RECOMMENDED to Council to:-

- 1) Approve the ten options set out in 5.2 totalling £1,313,000, in order to produce an Amended Revenue Budget for 2020-21,
- 2) Replenish unearmarked reserves through a range of measures to be agreed as part of the medium term financial strategy (MTFS) as per 5.8,
- 3) Note the future capacity of reserves set out in 5.13 which may have to be called upon to meet any future financial challenges and/or additional requirements,
- 4) Earmark the funding within the Business Rates Retention Fund for employment land opportunities as set out in 8.7.
- 5) Approve Tranche 4 of the Discretionary Business Grants Policy (attached in Appendix 2), to confirm that in accordance with the Government guidance, Town and Parish Councils are able to apply to the scheme if they meet the eligibility criteria (as Section 11).

1. Executive summary

- 1.1 Covid 19 has caused financial strain for all Councils up and down the country where Councils find themselves being caught in a 'perfect storm'. Councils have to manage both the increased costs of coping with Covid19 and supporting vulnerable people in the community and the loss of key income streams such as car parking income and council tax income.
- 1.2 The factors affecting the Council's finances are issues affecting the whole Local Government sector. The Council is well-placed to meet the financial challenges arising from Covid19, due to its prudent financial management over previous years.
- 1.3 Due to the rapidly changing financial position, the Council is now undertaking monthly revenue budget monitoring reports (as opposed to quarterly). The latest revenue budget monitoring report for Month 3 (end of June) predicts a budget shortfall of £1.313 million for 2020/21. This equates to 14% of the overall budget set of £9.411 million. The options set out in 5.2 are being proposed, in order to produce an Amended Budget for 2020-21. The ten options were considered by the Joint Overview and Scrutiny Panel and Development Management Committee on 3rd September 2020 and were recommended to the Executive. The minute from the meeting is in Section 5.14 of this report. The ten options were also considered by the Executive on 17th September 2020 and were recommended to Council. The minute from the meeting is in Section 5.15 of this report.
- 1.4 This figure will change throughout the financial year as more information comes to light on items such as the collectability of outstanding debt and arrears and how income streams have been affected by the pandemic.
- 1.5 This position is after taking into account the £0.9 million Government grant already received for Covid-19 and the estimated £1.455 million Government funding that the Council is anticipating towards income losses on sales, fees and charges (the Government 'income guarantee scheme'). More detail on this is in section 3.10.
- 1.6 This forecast shortfall is based on a range of assumptions which have been made as to how much the income streams of the Council could be affected by Covid19. Projections could improve and it is difficult to predict as we don't know how quickly things will bounce back. We will be monitoring our finances on a monthly basis and as actual figures emerge, we will refine these figures and our assumptions.
- 1.7 Financial Stability is one of the themes within the Recovery and Renewal Plan which is a separate agenda item on this Committee agenda. The action plan, setting out the areas being progressed and the timescales within which this will take place, is set out in Appendix 1 of the Recovery Plan.

- 1.8 On 4th August, the Government issued new guidance on the Discretionary Business Grants scheme which stated that Town and Parish Councils were eligible to apply to the scheme if they met the eligibility criteria. The deadline for applications was 28th August.
- 1.9 Applications have been received from Dartmouth Town Council, Ivybridge Town Council and a charitable Trust associated with Totnes Town Council. The maximum grant allocation is £25,000 and only one grant per Town or Parish Council can be awarded. It is proposed that Council approve Tranche 4 of the Discretionary Business Grants Policy (set out in Appendix 2). Tranche 4 is specifically just for Town and Parish Councils. Approval of Tranche 4 would allow payments for eligible grant applications (for the applications received) to be made to Town and Parish Councils by the end of September.

2. Background

- 2.1 On 13 February 2020, the Council approved the Revenue Budget for 2020-21 of £9.41 million. During March 2020, the Covid 19 pandemic started to affect the finances of Councils up and down the country. Income Losses in April, May and June totalled £1.247 million from areas such as ferry income, car parking income, planning income, rental income and the business rates pooling gain.
- 2.2 Prudent financial management in the past has meant that the Council was in a relatively healthy position financially before the pandemic hit. Since 2010, we have had to redesign our services to balance the books. We have done this by sharing a single workforce with West Devon Borough Council, generating an ongoing annual saving of £3.9 million for South Hams and by reducing our staffing levels by 30% through our Transformation Programme.

3 LATEST REVENUE BUDGET MONITORING POSITION

- 3.1 The latest revenue budget monitoring report for Month 3 (end of June) predicts a budget shortfall of £1.313 million for 2020/21. This equates to 14% of the overall budget set of £9.411 million. In this report, assumptions have been made as to how much the income streams of the Council could be affected by Covid19. For example for car parking losses, the report assumes a 30% drop in income levels from 1st July 2020. Projections could improve and it is difficult to predict as we don't know how quickly things will bounce back. We will be monitoring our finances on a monthly basis and as actual figures emerge, we will refine these figures and our assumptions.
- 3.2 The shortfall predicted will change throughout the financial year as more information comes to light on items such as the collectability of outstanding debt and arrears and how income streams have been affected by the pandemic.

- 3.3 The unprecedented nature and scale of the Covid19 pandemic has resulted in severe financial pressure on every Local Authority. Councils are still under a legal obligation to manage their finances to ensure that they provide best value whilst not operating with an overall budget deficit.
- 3.4 Section 30(6) of the Local Government Finance Act 1992 requires precepting authorities to set a balanced budget on an annual basis. A Council's budget must be "balanced", meaning that Councils must ensure that their planned spending can be met by taxation, grants and other income raised in the year, or by the use of their reserves.
- 3.5 Section 25 of the Local Government Act 2003 requires the Council's Chief Finance Officer (known as the S151 Officer), to report to Full Council on the robustness of the Council's budget and the overall adequacy of its reserves.
- 3.6 Balancing the Council's Budget has become more challenging over the years as the demand for services and the reduction in government grant funding via the austerity programme has reduced the financial flexibility of Councils.
- 3.7 Each month, Councils complete a national return that informs the Government of how much COVID-19 is affecting the finances of Councils. The point has been made that these income losses have had a much bigger impact (in proportion to Net Budgets) on District Councils, than they have on County Councils and Unitaries.
- 3.8 A lobbying letter from South West Councils was sent to the Rt Hon Robert Jenrick MP (Secretary of State for Housing, Communities and Local Government). This letter set out that the latest Government returns to MHCLG showed a financial challenge to South West Councils of over £1 billion across the region.
- 3.9 The Society of District Council Treasurers (SDCT) has engaged Local Government Futures (who are specialists in the field of Local Government Finance), to put together evidence to show the losses experienced by District Councils. This will then be used for the purpose of lobbying the Government for further funding for District Councils. In a letter from the Chairman of the District Councils' Network to the Chancellor, the financial needs of District Councils were set out, as well as stating that no part of the public sector is better placed than District Councils to catalyse and lead the recovery and that we will rise to the challenge.

- 3.10 ***On 2nd July, the Rt Hon Robert Jenrick MP announced a new comprehensive package of support for Councils, to address spending pressures and losses in income streams. There were three central pillars of support announced:-***
- A new scheme to compensate Councils for losses of income, though not in their entirety (an 'income guarantee' scheme). Councils have to meet the first 5% of losses of all budgeted sales, fees and charges and only some categories of income are allowable under the scheme. For the categories allowed, once the 5% is deducted, the Government will reimburse 75pence in every £1.
 - An extra £500million to cover extra COVID19 expenditure costs (the District Council's allocation of this funding has been announced at £121,361)
 - To allow council tax and business rate losses in income to be repaid over the next 3 years of budget cycles, instead of just the next one year
- 3.11 We are very pleased that our lobbying has been successful but there is still further work to do on this.
- 3.12 The main element of the announcement is that the Government will compensate Councils for their income losses above the first 5% of their budgeted income from sales, fees and charges. Income losses above the first 5% will be compensated by the Government paying for 75 pence in every pound of the losses thereafter. This is only the income losses from sales, fees and charges and excludes any rental income and investment income.
- 3.13 This has been estimated at £1.455 million for the Council based on the income shortfalls to date. The government grant funding of £1.455 million anticipated from the 'income guarantee scheme' has already been factored into the projected shortfall of £1.313 million. Guidance from the Government has been published and the claim form is to be shortly released by the Government. The first claim form released in September covers the period 1 April 2020 to 30 July 2020. The second claim form is released in December and covers the period 1 August 2020 to 30 November 2020 and the final claim form is released in April 2021 (for the period 1 December 2020 to 31 March 2021) and is paid in May 2021.
- 3.14 The Government announcement is below:
<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-pressures-and-cover-lost-income-during-the-pandemic>
- 3.15 On 19 March 2020, £1.6bn emergency funding was announced to help local authorities respond to the COVID-19 pandemic. On 18 April 2020, a further £1.6bn funding for local authorities was announced. On 2 July 2020, a further £500m funding for local authorities was announced as part of a new funding package for councils to address coronavirus pressures. South Hams District Council has received

£1,021,868 from this £3.7bn of funding (being £0.9million from the first two tranches and £121,361 from the 3rd tranche).

- 3.16 It is recognised that Town and Parish Councils have also similarly had their finances adversely affected by the pandemic. The Council is lobbying alongside NALC (National Association of Local Councils) for a separate financial package of support for Town and Parish Councils.

4 Medium Term Financial Strategy (MTFS)

- 4.1 Whilst looking to set an Amended Budget for 2020-21, the longer term position for the medium term will be borne in mind. The last Medium Term Financial Strategy in February 2020 showed an anticipated Budget Gap for 2021/22 of £0.57million. The aggregated Budget Gap by 2024/25 was £3.2 million.

- 4.2 The key variables will be items such as New Homes Bonus, negative RSG, business rates and council tax collection rates and previous income assumptions around the leisure contract. In the next Medium Term Financial Strategy (being presented in October), various scenarios and modelling around these key variables will be shown and we are pressing the Government for some early announcements on things like negative RSG and NHB (or its replacement) to inform our MTFS which we are currently modelling.

- 4.3 It should be noted that the financial landscape for Councils is ever-changing and there is still a great deal of uncertainty that Councils are working with in planning their finances for the longer term, in particular the items listed in 4.2

- 4.4 Negative Revenue Support Grant provides a 'cliff-edge' for many Councils and it would be an untenable position to introduce this in 2021-22, when there is a need to provide stability for Councils in the current financial climate. It is accepted that this would cost the Government over £150million but it would also benefit over 160 Councils. (In 2019-20 negative RSG totalled £152.9m and affected 168 Councils).

- 4.5 Sparsely populated rural Councils also need the certainty that Rural Services Delivery Grant will be continued for 2021-22, at least at its present value of £81 million in total.

5 Options to address the Budget Shortfall of £1.3million in 2020-21

- 5.1 A Member Budget Workshop took place on 27th August, to explore all options with Members on their preferred approach to addressing the Budget Shortfall identified for 2020-21 of £1.313million. Nineteen responses were received from Members on the SurveyMonkey tool used to capture Members' views on the options. The prioritisation question (the last question on the SurveyMonkey answered by Members) has also been factored into the results.

5.2 Each of the below options were supported by the substantial majority of Members who expressed a view:

COVID impact on the Revenue Budget		£
<i>Budget shortfall identified for 2020-21 from the Month 3 Revenue Budget Monitoring report to the Executive on 30th July 2020</i>		1,313,000
Options to address the budget shortfall		£
As per 5.3	Use the 3 rd tranche of COVID funding received from the Government (SHDC share £121,361)	121,000
As per 5.4	Use the New Burdens Government grant funding received for the administration of the Business Rates Grants	170,000
As per 5.5	Utilise the 2019-20 Statement of Accounts underspend	112,000
As per 5.6	Use funding from the Strategic Change Transformation Programme (T18) Earmarked Reserve	30,000
As per 5.7	Cease the 2020-21 annual contribution towards building up a budget for future years for the Follaton Roof and Follaton Lift	80,000
As per 5.8	Use funding from Unearmarked Reserves	200,000
As per 5.9	Use funding from the Economic Regeneration (Business Rates Pilot Gain) Earmarked Reserve	127,000
As per 5.10	Cease the repairs and maintenance (R & M) contribution for the R & M Earmarked Reserve	80,000
As per 5.11	Use funding from the Business Rates Retention Reserve	343,000
As per 5.12	Cease making a contribution to the Planning Earmarked Reserve in 2020-21	50,000
TOTAL		1,313,000

5.3 The Council has received a 3rd tranche allocation of COVID Government funding totalling **£121,361**. The funding was the Council's allocation from the £500 million of un-ring fenced grant funding from the Government, to respond to spending pressures.

5.4 The Council has paid out over £42 million in Business Grants and the **£170,000** is a New Burdens funding grant (un-ringfenced) from the Government to compensate Councils for the cost of administering the Business Grants on behalf of the Government.

- 5.5 The Statement of Accounts for 2019-20 were presented to the Audit Committee in July 2020 and these showed that the final outturn was an underspend against the budget for 2019-20 of **£112,000**. This underspend on last year's budget could be used to finance part of the budget shortfall in 2020-21.
- 5.6 The Strategic Change Transformation Programme (T18) Earmarked Reserve was created in 2015/16 and funded the T18 (Transformation Programme) set up costs. There are Nil commitments against this reserve and the reserve has an uncommitted balance of **£30,000**.
- 5.7 Cease the 2020-21 annual contribution towards building up a budget for future years for the Follaton Roof and Follaton Lift (**£80,000**). This is an annual amount being contributed every year, to build up a sinking fund for the Follaton Roof and Lift. To date, there is £160,000 currently already in the sinking fund.
- 5.8 Unearmarked Reserves currently stand at £1.9million (prior to the Accounts 2019-20 underspend of £112K being added to the balance) and the Council has agreed that a minimum level of Unearmarked Reserves of £1.5million should be held. The suggested maximum Unearmarked Reserves could be reduced by is £400,000. The proposal is to utilise **£200,000** of Unearmarked Reserves to fund the shortfall of £1.313m in 2020-21. If this were to happen, it is suggested that a future plan for how Unearmarked Reserves would be replenished should be in place. The proposal is to replenish unearmarked reserves through a range of measures to be agreed as part of the medium term financial strategy (MTFS).
- 5.9 Use funding from the Economic Regeneration Earmarked Reserve which was created to hold the 2018/19 Business Rates Pilot gain. This was additional business rates income that was generated in 2018/19 due to the Devon area having Pilot status for Business Rates. Commitments total £192,000 including £65,000 for the Ivybridge Regeneration project (Executive 18/6/20) and £88,000 for Leisure for July, August and September (Council July 2020). The uncommitted balance is **£127,000**.
- 5.10 Cease making a contribution to the Repairs and Maintenance Earmarked Reserve in 2020-21 (amount **£80,000**). The Repairs and Maintenance Earmarked Reserve has a balance of £203,000, with a £28,000 commitment against this reserve to date.
- 5.11 Use funding from the Business Rates Retention Earmarked Reserve which has a balance of £6.1million, of which at least £900,000 is uncommitted. It is proposed to use **£343,000** of funding from this reserve. Commitments mainly relate to (a) £3.5m ringfenced for Employment for the creation of local jobs (Council Feb 2018) and the acquisition of 10 acres of employment land at Sherford and to extend the lease of the starter units at Langage from 21 years to 125 years, funded from this reserve. Some of this Reserve is also needed to be retained to manage the volatility of

Business Rates income in 2020-21 and in future years, as well as appeal costs and arrears. The Business Rates system is being reviewed and redesigned by the Government as well as business rates baselines being reset in future years.

- 5.12 Cease making a contribution to the Planning Earmarked Reserve in 2020-21 (amount **£50,000**). The Planning Earmarked Reserve has a balance of £187,000, with no current commitments against this reserve.
- 5.13 The further options that were supported in the priority ranking were to reduce Unearmarked Reserves further than £200,000 and/or to make further use of a portion of the unallocated funding in the Business Rates Retention Earmarked Reserve. Any decision that Members subsequently take at Full Council on 24th September in relation to additional funding for leisure, please see section 6 below, would potentially require a call on these further options. All such decisions would require difficult choices to be made.
- 5.14 On 3rd September 2020, the Joint Overview and Scrutiny Panel and Development Management Committee considered a report on the Amended Budget 2020/21. The ten options were considered by the Joint Overview and Scrutiny Panel and Development Management Committee on 3rd September 2020 and were recommended to the Executive (Minute OSDM.10/20 refers).
- 5.15 On 17th September 2020, the Executive considered a report on the Amended Budget 2020/21. The ten options were considered by the Executive and were recommended to Council (Minute E.16/20).
- 5.16 A national pay award has just been reached which equates to a 2.75% increase from 1st April 2020. The Council had budgeted for 2% within its budget and therefore the extra 0.75% would cost an extra £52,500. This will be shown within the next revenue budget monitoring report for 2020/21 and will be reflected within the Medium Term Financial Strategy and incorporated within the budget setting process for 2021/22. This will form part of the year end outturn reported in the Council's Accounts for 2020-21.

6. Leisure provision

- 6.1 Leisure is one of the hardest hit sectors of industry from the lockdown restrictions of the pandemic. Government mandated the closure of leisure centres in March 2020 and they had to remain closed until the announcement of an opening date of 25th July 2020.
- 6.2 The current Government guidance now allows Leisure Centres to reopen with restrictions in place which limit the capacity of the facilities and key guidelines around operating practices to ensure social distancing, enhancing cleaning regimes and changes in ventilation of facilities.

- 6.3 The Covid19 pandemic and a lack of central Government support have created very challenging conditions for Fusion. At a Special Council meeting on 30 July 2020, Council agreed to provide interim financial support of £88,000 to Fusion to secure positive health and wellbeing outcomes in the District, which were the re-opening of the new pool and dryside in Ivybridge and the dryside facilities in Kingsbridge. The cost of mothballing both centres in April, May and June has also been funded by the Council at a cost of £34.5K per month. An amount of £103,500 was approved by Council (Minute Reference CM97/19) to be funded from the Land and Development Earmarked Reserve. Therefore financial support to date for Fusion has totalled £191,500.
- 6.4 At the 24th September Council meeting, the Council will be taking a strategic decision on leisure provision for the months of October 2020 onwards, alongside the decision on the Amended Budget 2020-21 Proposals set out in this report.
- 6.5 The costs of further interim support to Fusion for the months of October 2020 to March 2021 will be set out within the 24th September Council report and these costs are not included within the £1.313million budget shortfall identified within the recent revenue budget monitoring report and would be in addition to this. Options as to how any further support to Fusion could be financed will be set out within this Council report.
- 6.6 The Council is continuing to lobby alongside South West Councils and through the Local Government Association for a specific package of Government support for the provision of leisure facilities. The Department for Culture and Media has also put a specific request for funding to the Treasury and there may be future Government support targeted at the leisure sector but we await announcements on this.
- 6.7 Members will be aware from the previous report that decisions about the operation of the District's leisure centres from October 2020 to March 2021 include a range of potential additional costs from £113,000* to £243,000. These decisions will be a matter for Full Council on 24th September 2020.
- * This figure is for the mothballing of Dartmouth, for Ivybridge having the wet and dryside both open (Ivybridge is cost-neutral over the financial year to March 2021) and for Kingsbridge having the dryside open. The Totnes leisure centre is contracted by Tadpool. These figures are taken from the Council report on 30th July 2020.

7 The Collection Fund - Council Tax and Business Rates Income

- 7.1 The Collection Fund holds all payments in and out relating to Council Tax and Business Rates. As such any losses incurred will be suffered by the Collection Fund in the year and then distributed to the Council and Precepting Authorities in future years. A large part of the reductions in income will affect the Council's financial position in 2021/22 onwards, although it does affect the cashflow position of the Council in 2020/21.

- 7.2 **Council Tax: The net collectable debt for Council Tax is £78m for 2020/21.** By June 2020, SHDC collected 28.9% of the yearly total (compares against 29.73% in 2019/20) – the 0.83% drop equates to £648,000 (SHDC share £58,320). This is how much council tax income is down by in June 2020, compared against June 2019. Collection Fund losses for Council Tax could total £2.6m for the full year 2020-21 (SHDC share £234,000).
(The collection rate was 98.3% for Council Tax in 2019-20)
- 7.3 **Business Rates: The net collectable debt for Business Rates is £18.6 million for 2020/21.** (Prior to the pandemic, this was predicted to be over £30million and the additional NNDR reliefs for the total value of the expanded retail discount and nursery discount for 2020-21 total £13.778million).
- 7.4 By June 2020, SHDC has collected 30.16% of the yearly total (compared to 31.05% in 2019/20). Business rates losses could total between £0.5million to £1.0 million and the Council's share would be 40%. No pooling gain for Business Rates has been assumed for 2020/21. (The collection rate was 98.67% for NNDR in 2019-20).
- 7.5 Council Tax and Business Rates form a large share of the funding for the Council's budget and therefore these income streams are funding the essential services being delivered.
- 7.6 In the next Spending Review the Government will also determine what support Councils will need, to help them meet the pressures of income losses from council tax and business rates. The Government has said that they are bringing in changes to allow Councils to spread their Collection Fund losses (for losses in Council Tax and Business Rates income) over the next three years instead of over the next one year. So this will allow council tax and business rate losses in income, to be repaid over the next 3 years of budget cycles, instead of just the next one year. The Government will also agree an apportionment of irrecoverable council tax and business rate losses, between central and local Government for 2020 to 2021. More details are awaited on this from the Spending Review, to be able to understand the detail of how Councils will be supported by this.
- 8. Review of Earmarked Reserves and General Fund Reserves**
- 8.1 As part of the Budget Workshop on 27th August, the Council also undertook a review of its Earmarked Reserves through reviewing the commitments against the Earmarked Reserves, its unallocated balance and the contributions to/from Earmarked Reserves for 2020/21 also.
- 8.2 A schedule of Earmarked Reserves is attached at Appendix 1, which shows Earmarked Reserves have a balance of £13.998 million at 31.3.2020. Reserve levels will be kept under constant review.

- 8.3 The Council's level of Unearmarked Reserves currently stands at £1.9 million (prior to the Accounts underspend for 2019-20 going into Unearmarked Reserves). As part of the Medium Term Financial Strategy and at Council in February 2020, Members have set a minimum balance for Unearmarked Reserves of £1.5 million, based on a risk assessment basis and a sensitivity analysis.
- 8.4 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Council's finances (this was recommended at £1.5million being the minimum level). Since February 2020, the financial risks which all Councils face will have increased. Section 25 of the Local Government Act 2003 requires the S151 officer to report on the adequacy of the Council's financial resources on an annual basis.
- 8.5 Unearmarked Reserves currently stand at £1.9million (prior to the Accounts 2019-20 underspend of £112K being added to the balance) and the Council has agreed (February 2020) that a minimum level of Unearmarked Reserves of £1.5million should be held. The suggested maximum Unearmarked Reserves could be reduced by is £400,000. The proposal in 5.8 is to utilise £200,000 of Unearmarked Reserves to fund the shortfall of £1.313m in 2020-21. If this were to happen, it is suggested that a future plan for how Unearmarked Reserves would be replenished should be in place.
- 8.6 It is proposed to replenish unearmarked reserves through a range of measures to be agreed as part of the medium term financial strategy (MTFS). The results of the Members' Budget Survey were such that 55.6% of Members supported using Unearmarked Reserves, with some Members wishing to take as much as £900,000 from Unearmarked Reserves. This would reduce Unearmarked Reserves by nearly half and would mean that Unearmarked Reserves were significantly below the previously minimum level approved by Members of £1.5 million (approved at Full Council on 13th February 2020).
- 8.7 The Business Rates Retention Earmarked Reserve has a balance of £6.1million, of which at least £900,000 is uncommitted. There is a current commitment against this Reserve for the acquisition of 10 acres of employment land at Sherford. As this opportunity no longer looks to be achievable by the Council to make a purchase, **it is proposed that this funding is instead earmarked for employment land opportunities (rather than specifically being for Sherford).**
- 8.8 All other uncommitted amounts in all other Earmarked Reserves (see Appendix 1) will remain subject to review until further notice, with the exception of Reserves for the Salcombe Harbour Board, as these are subject to decisions by the Salcombe Harbour Board.

9. Spending Review and Business Rates Retention

- 9.1 The Government has also confirmed that the Review of Relative Needs and Resource and 75% business rates retention will no longer be implemented in 2021-22. This was to enable Councils to focus on meeting the immediate public health challenge posed by the pandemic.
- 9.2 The Chancellor has confirmed that the 2020 Spending Review will be finalised this Autumn and will cover the years 2021/22 to 2023/24.
- 9.3 Auditing regulations for the Council's accounts has also been changed. There have been amendments to the statutory audit deadlines for 2019/20 for all Local Authorities, meaning that the deadline for final, audited accounts has been extended to 30 November 2020.

10. Options available and consideration of risk

- 10.1 The financial forecasts are based on a number of assumptions including the level of income losses and support from the Government. In addition there are a number of uncertainties that could affect the financial position either now or in the future. These include whether there is a second wave and additional restrictions imposed.

11. Discretionary Business Grants Policy

- 11.1 On 4th August, the Government issued new guidance on the Discretionary Business Grants scheme which stated that Town and Parish Councils were eligible to apply to the scheme if they met the eligibility criteria. The deadline for applications was 28th August. Applications have been received from Dartmouth Town Council, Ivybridge Town Council and a charitable Trust associated with Totnes Town Council.
- 11.2 It is proposed that Council approve Tranche 4 of the Discretionary Business Grants Policy (set out in Appendix 2). Tranche 4 is specifically just for Town and Parish Councils. Approval of Tranche 4 would allow payments for eligible grant applications (for the eligible applications received) to be made to Town and Parish Councils by the end of September.
- 11.3 The maximum grant allocation is £25,000 and only one grant per Town or Parish Council can be awarded. The eligibility criteria are set out in Tranche 4 of the Discretionary Business Grants Policy (Appendix 2).

11.4 So far the Council has paid £1,403,000 to 308 businesses under the Discretionary Business Grants Policy (Tranches 1 to 3). The Council's Government grant allocation (budget) is £2,317,250. Final payments will be made by the end of September, in accordance with the Government guidance.

11.5 The Discretionary Business Grants Policy was developed in response to an announcement made by the Secretary of State for Business, Energy & Industrial Strategy on 1st May 2020 which set out the circumstances whereby a grant payment may be made by the Council to a business who has not previously qualified for a direct business grant and is suffering a significant fall in income due to the COVID19 crisis.

12. Proposed Way Forward

12.1 It is proposed to approve the options outlined in Section 5.2 for balancing the Council's Amended Budget for 2020-21.

13. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Local Government Finance Act 1992 places a legal requirement on Council to approve not only the budget but also any changes to the budget proposed during the year. Council has a legal duty to ensure that the budget is balanced and that any changes to the budget are fully funded.
Financial implications to include reference to value for money	Y	<p>The budget monitoring report identifies an overall predicted shortfall of £1.313 million which is 14% of the overall budget set for 2020/21 of £9.411 million, due to the current pressures on the Council's income targets due to the Covid 19 situation and extra expenditure incurred.</p> <p>Following a Members' Budget Workshop on options for setting an Amended Budget for 2020-21, it is proposed to Council in September to approve the options set out in 5.2 totalling £1.313 million, in order to produce an Amended Revenue Budget for 2020-21.</p> <p>It is proposed to replenish unearmarked reserves through a range of measures to be agreed as part of the medium term financial strategy (MTFS) as per 5.8.</p>

		<p>It is proposed to earmark the funding within the Business Rates Retention Fund for employment land opportunities as set out in 8.7.</p> <p>It is also proposed to approve Tranche 4 of the Discretionary Business Grants Policy (attached in Appendix 2), to confirm that in accordance with the Government guidance, Town and Parish Councils are able to apply to the scheme if they meet the eligibility criteria. The maximum grant allocation is £25,000 and only one grant per Town or Parish Council can be awarded. The deadline for applications was 28th August. Further information is set out in Section 11.</p>
Risk	Y	See 10.1
Supporting Corporate Strategy		The budget monitoring process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change – Carbon / Biodiversity Impact		None directly arising from this report.
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendix 1 – Schedule of Earmarked Reserves

Appendix 2 – Discretionary Business Grant Scheme (Tranche 4 for Town and Parish Councils)

Background Papers:

Executive – 17th September 2020 – Amended Budget for 2020/21

Joint Overview and Scrutiny Panel and Development Management Committee – 3rd September 2020 – Amended Budget for 2020/21

Executive – 30th July 2020 - Month 3 Revenue Budget Monitoring 2020/2021

Special Council – 30th July 2020 – Fusion Interim Support

Approval and clearance of report

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

South Hams Earmarked Reserve Balances				APPENDIX 1
	31.3.2019	31.3.2020	Annual budgeted reserve contribution originally agreed for 20/21	Notes
	£000	£000	£000	
Specific Reserves - General Fund				
Affordable Housing	988	706		£666k has been committed for the Capital Programme and £40k set up costs of the Community Benefit Society, Wholly Owned Company (E.78/19)
Beach Safety	14	14		Nil commitments
Business Rates Retention	5,114	6,192		This relates to a timing issue on the accounting adjustments required for the localisation of business rates. This reserve also deals with any volatility in Business Rate income e.g. due to appeals. Commitments mainly relate to (a) £3.5m ringfenced for Employment for the creation of local jobs (Council Feb 2018) (b) the acquisition of 10 acres of employment land at Sherford and (c) on 31 October 2019 the Executive recommended to Council to use up to £200k to fund the cost of extending the lease of the starter units at Langage from 21 years to 125 years, funded from this reserve. The uncommitted balance is at least £900,000.
Capital Programme	84	26	181.6	An annual contribution of £181,600 is paid into the Capital Programme Reserve from the Revenue Budget. This contribution is used annually to fund the Capital Programme and this reserve is fully committed in 2020/21.
Community Housing Fund	1,285	493		This reserve holds the Community Housing Fund grant received in 2016/17 of just under £1.9m (Government grant). £300k has been committed to date for 2020/21. The Reserve is for Community Housing Schemes.
Community Parks and Open Spaces	107	38	16.9	£17k has been committed in respect of South Devon Tennis Courts
District Elections	78	0	10	This reserve was fully utilised in 2019/20 to fund the cost of District Elections.
Economic Initiatives	27	6		Commitments amount to £4,000 in 2020/21
Economic Regeneration (Business Rates Pilot Gain)	379	319		This reserve was created to hold the 2018/19 Business Rates Pilot Gain. This was additional business rates income that was generated in 2018/19 due to the Devon area having Pilot status for Business Rates. Commitments total £192,000 including £65,000 for the Ivybridge Regeneration project (Executive 18/6/20) and £88,000 for Leisure for July, August and September (Council July 2020). The uncommitted balance is £127,000.
Emergency Climate Change Projects	0	0	400	Set up of this reserve for £400,000 in 2020/21 approved by Executive on 6/2/20 E74/19 and Council (Feb 20), funded by a contribution from New Homes Bonus Reserve
Environmental Health Initiatives	20	20		Commitment of £11k in 2020/21 relates to the employment of an Environmental Health student specialist for 12 months
Ferry Repairs & Renewals	455	446	117	Commitments include fleet refurbishment £24k and engineering works at Dartmouth Lower Ferry Workshops (health & safety urgent works) £94k
Homelessness Prevention	112	112		This reserve has been created following underspends on Homelessness Prevention Costs in previous years.
ICT Development	126	122	50	Commitments of £103,000 in 2020/21 include £83,000 towards the Future IT Procurement, Council 13/2/20 E75/19
Innovation Fund (Invest to Earn)	17	9		Nil commitments
Joint Local Plan	31	21		This is a new reserve for Joint Local Plan Funding
Land and Development	94	210	7	Commitments include £103.5k Fusion Leisure monthly support for April, May and June and £55k Follaton House Arboretum & Wedding Venue works
Leisure Services	57	57		Commitment for £13K for Playing Pitch Strategy
Maintenance, Management and Risk Management (MMRM)	0	8		This is a new reserve set up to manage the ongoing maintenance costs of the Council's Commercial Property. The contributions to the reserve equate to 10% of the rental income, this is anticipated to be £29,000 in 2020/21.
Marine Infrastructure	210	268	58	£200k earmarked for Batson Harbour Workshops as per 19/20 Capital Programme (E.70/18). Annual contributions of £58K are made by Salcombe Harbour.
Members Sustainable Community Locality	6	28		This reserve holds the unspent balances.
New Homes Bonus	1,155	1,697	-564.1	£1.199m will be received in NHB grant in 2020/21. Commitments in 2020/21 include £564k contribution to the base revenue budget, £400k to the Emergency Climate Change Projects Reserve and funding of the Capital Programme. At Council in February 2020, it was approved to transfer the unallocated balance of £235,016 into the New Homes Bonus Earmarked Reserve, with its future use to be decided when more details are known about the Spending Review for 2021/22 and following a Government consultation document on a replacement scheme for NHB. The uncommitted balance is £235,016.
On-Street Parking	44	44		
Pay & Display Equipment Renewals	123	144	20.8	This reserve provides for the periodic replacement of Pay & Display machines.
Pension Fund Strain Payments	0	29	9.9	This reserve is used to fund pension strain costs

South Hams Earmarked Reserve Balances				APPENDIX 1
	31.3.2019	31.3.2020	Annual budgeted reserve contribution originally agreed for 20/21	Notes
	£000	£000	£000	
Planning Policy & Major Developments	125	187	50	This reserve is for all planning matters and is also to meet appeal costs.
Renovation Grants	7	7		Comprises proceeds from repayments
Repairs & Maintenance	45	203	80	£28,000 has been committed in 2020/21 for the Mobile Phone Signal improvement works at Follaton House
Revenue Grants	578	607	-48.7	This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes. The annual contribution of £48,700 from this reserve relates to the funding of three housing posts which were made permanent in the 2020/21 budget process and are funded from the Flexible Homelessness Support Grant.
S106 Monitoring	124	133		This reserve funds the cost of an officer to oversee the administration of S106 deposits and how they are spent
S106 Technical Support	20	16		To meet the salary costs of a S106 technical support officer.
Section 106 Deposits	38	38		This reserve comprises deposits with no repayment conditions - created as a result of IFRS
Strategic Change (Transformation Programme T18)	0	30		Reserve was created in 15/16 and funded T18 (Transformation Programme) set up costs. There are Nil commitments against this reserve. The uncommitted balance is £30,000.
Support Services Trading	43	43		Reserve was created from external work carried out in other Councils e.g. HR work with Councils also embarking on a Transformation Programme. Reserve maybe required in the future.
Sustainable Waste Management	29	54	25	Reserve was created for one-off waste management costs
Vehicles & Plant Renewals	1,264	1,183	550	Earmarked for the Fleet Replacement Programme as part of the Waste Contract. An annual contribution of £550,000 is made to this reserve. All committed.
Sub-Total	12,799	13,510		
Specific Reserves - Salcombe Harbour				
Pontoons	213	162	65	Annual contributions are made by Salcombe Harbour to enable the repairs/replacement of the pontoons
Renewals	117	136	40	Annual contributions are made by Salcombe Harbour to enable assets to be replaced on a rolling programme
Revenue Account	164	190		This reserve accounts for any surplus/deficit made by Salcombe Harbour and is also used to fund one off items that can't be funded from Salcombe Harbour's revenue account.
Sub-Total	494	488		
TOTAL - Earmarked Revenue Reserves	13,293	13,998	1,157.5	



South Hams
District Council

**South Hams District Council
Discretionary Business Grant Scheme
Tranche 4
2020/21**

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1.0 Purpose of the scheme

- 1.1 The purpose of this document is to determine eligibility for a payment under the Council's Discretionary Business Grants Scheme.
- 1.2 The new Discretionary Business Grant Scheme has been developed in response to an announcement made by the Secretary of State for Business, Energy & Industrial Strategy made on 1st May 2020 which sets out circumstances whereby a grant payment **may** be made by the Council to a business who has not previously qualified for a direct business grant and is suffering a significant fall in income due to the COVID-19 crisis.
- 1.3 This document sets out the criteria for the final tranche (Tranche 4) of the scheme. This final tranche has been developed in response to a Government announcement on 4th August from the Department of Business, Energy and Industrial Strategy (BEIS) which stated that Town and Parish councils are also eligible for Discretionary Grant Funds if they meet all the scheme criteria.
- 1.4 This scheme is in addition to the previous policy which covered tranches 1, 2 and 3 and which applied more widely to both national and locally set priority businesses.

2.0 Funding

- 2.1 Central Government originally provided the Council with a sum of £2,317,250 which represented 5% of the projected allocation for the Direct Business Grants. The funding level is finite and therefore the Council, although keen to ensure that grants are given to the maximum number of businesses, is conscious that its expenditure cannot exceed that amount.
- 2.2 The Council will limit the total awards to the level of funding available from Central Government.

3.0 Eligibility criteria for Tranche 4 only.

- 3.1 Paragraph 3.2 outlines the criteria that will need to be met in respect of **all** Tranche 4 applications. Any business failing to meet the criteria or failing to provide the Council with sufficient information to determine whether they meet the criteria, will not be awarded a Discretionary Business Grant.
- 3.2 Assistance *may* be given to businesses that meet the following criteria:
 - Businesses that have been provided by Town Council and Parish Councils (as defined by the Local Government Finance Act 1988);
 - Businesses with relatively high ongoing fixed property-related costs;
 - Businesses which can demonstrate that they have suffered a fall in income due to the COVID-19 crisis; and
 - Businesses must have been trading on 11th March 2020.

3.3 In addition, businesses which are **eligible** for any of the following are **ineligible for any Discretionary Business Grant**:

- Small Business Grant Fund;
- Retail, Hospitality and Leisure Grant;
- The Fisheries Response Fund;
- Domestic Seafood Supply Scheme (DSSS);
- The Zoos Support Fund;
- The Dairy Hardship Fund;

4.0 Definitions - Eligibility Criteria (Tranche 4 only)

4.1 For the sake of clarity the following definitions are provided in respect of the criteria set out in paragraphs 3.2 and 3.3:

- **Businesses that have been provided by Town Councils as defined by the Local Government Act 1972**
 - This current tranche, (Tranche 4) has been designed for all businesses which are the responsibility and run by either a Town or Parish Council as defined within Part 1 of the Local Government Act 1972;
 - Grants will only be paid in respect of premises which are occupied **not** unoccupied.
- **Businesses must have relatively high ongoing fixed premises related costs** – for the purpose of this scheme, the Council determines fixed premises-related costs to be;
 - Payments of mortgage, lease, rent or licence for business premises or mooring charges and fees;
 - The payments must represent a high proportion of expenses in relation to the overall income of the business; and
 - The payments are unavoidable and are ongoing.
- **Businesses must demonstrate that they have suffered a fall in income due to the COVID-19 crisis** – the Council has determined that applicants certify that there has been a fall in income due to the COVID-19 crisis and not a general failure of business;
- **Businesses must be trading on 11th March 2020** – the Council will require the business to certify that the it was trading on 11th March 2020 and was not dormant, subject to a winding up order, in administration or subject to striking off;

- **Eligible to a grant under the Small Business Grant Scheme or the Retail Hospitality or Leisure Scheme¹** – where the business is either eligible to receive or has received a grant under either of the two schemes administered by the Council, no Discretionary Business Grant shall be awarded;
- **Eligible to assistance under the Fisheries Response Fund** – as administered by the Marine Management Organisation (MMO) and funded by HM Treasury and the Department for Environment, Food and Rural Affairs. Where the business or person is eligible to assistance under this fund, no Discretionary Business Grant shall be awarded;
- **Eligible to assistance under the Domestic Seafood Supply Scheme (DSSS)** as administered by the Marine Management Organisation (MMO) and funded by HM Treasury and the Maritime and Fisheries Fund. Where the business or person is eligible to assistance under this fund, no Discretionary Business Grant shall be awarded;
- **Eligible to assistance under the Zoos Support Fund** as administered by the Department for Environment, Food and Rural Affairs. Where the business or person is eligible to assistance under this fund, no Discretionary Business Grant shall be awarded;
- **Eligible to assistance under the Dairy Hardship Fund** as administered by the Department for Environment, Food and Rural Affairs. Where the business or person is eligible to assistance under this fund, no Discretionary Business Grant shall be awarded;

5.0 How will grants be provided to businesses?

- 5.1 The Council is fully aware of the importance of grants to assist businesses and support the local community and economy.
- 5.2 In all cases, a simple application form **is** required, and this can be completed on-line at the Council's website:
<https://www.southhams.gov.uk/discretionarygrants>
 Supplementary information may be required.
- 5.3 An application for a Discretionary Business Grant is deemed to have been made when a duly completed application form is received via the Council's online procedure.

¹ **Eligibility Criteria for either the Small Business Grant or Retail Hospitality and Leisure Grant** as determined by the Department for Business, Energy & Industrial Strategy and administered by the Council;

6.0 How much grant will be payable

- 6.1 Central Government has determined that there shall be a 'cap' on grants of £25,000 per business and that the next level of grant shall be £10,000. However, the Council under Central Government guidance, has the following discretion:
- (a) Whether to award grants at the £25,000 or £10,000 level; and
 - (b) To determine whether grants of less than £10,000 should be awarded.
- 6.2 Only **one** Discretionary Business Grant will be awarded per Town Council or Parish Council and the Council will determine the amount of the grant awarded for each on a case by case basis taking into account the following factors:
- the fall in business income due to the COVID-19 crisis;
 - the amount of fixed on-going premises costs; and
 - the number of employees.
- 6.3 In deciding the level of grant, the Council will look at all the businesses affected which are run by individual Town or Parish Councils and will consider the cumulative effect of the crisis.

7.0 Limitation of funds and applications

- 7.1 All monies paid through the Discretionary Business Grant scheme will be funded by Central Government and paid to the Council under S31 of the Local Government Act 2003. However, as mentioned in paragraph 2, the funds are limited and, as such, the Council is not able to award a grant where funds are no longer available.
- 7.2 All applications must be made online by midnight 28th August 2020 in line with Central Government guidelines. No applications will be accepted after this date.
- 7.3 Claims are available on the Council's website as shown in paragraph 5.2. All claims will be made online and this will also include the provision of such evidence as required by the Council.
- 7.4 As there is potentially insufficient funds available for all grant applicants, not all applicants will be successful, and some businesses will be left disappointed.

8.0 EU State Aid requirements

- 8.1 Any Discretionary Business Grant is given as aid under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak published on 19 March 2020. This means that businesses receiving support under these provisions can receive up to €800,000 in aid over three years (being the current and the previous two years).

- 8.2 Any grant awarded is required to comply with the EU law on State Aid.² This will involve the applicant declaring to the Council if they have received any other de minimis State aid or aid provided under the EU Commission Covid-19 Temporary Framework.
- 8.3 If the applicant has not received any other de minimis State aid, they are not required to make that declaration to the Council or to complete any declaration statement.

9.0 Scheme of delegation

- 9.1 The policy has been approved under Part 3(a) of the Council Constitution: Scheme of Delegation. The Head of Paid Service used delegated authority in consultation with the Leader and Deputy Leader of the Council.
- 9.2 Officers of the Council will administer the scheme and the Corporate Director for Strategic Finance and the Director – Place and Enterprise are authorised to make technical scheme amendments to ensure it meets the criteria set by the Council and, in line with Central Government guidance.

10.0 Notification of decisions

- 10.1 Applications will be considered by designated officers of the Council.
- 10.2 All decisions made by the Council shall be notified to the applicant either in writing or by email. A decision shall be made as soon as practicable after the closure of the application period.

11.0 Reviews of decisions

- 11.1 All grants will be approved by the S151 Officer, Director of Place and Enterprise and Head of Customer Improvement. This decision will be final and there will be no appeal process.

12.0 Complaints

- 12.1 The Council's 'Complaints Procedure' (available on the Council's website) will be applied in the event of any complaint received about this scheme.

13.0 Other scheme conditions

- 13.1 The Council has been informed by Treasury that all grants are taxable. Applicants should make their own enquiries to establish any tax position or liability.

14.0 Managing the risk of fraud

- 14.1 Neither the Council, nor the Government will accept deliberate manipulation of the scheme and fraud. Any applicant caught falsifying information to gain grant money or failing to declare entitlement to any of the specified grants will face prosecution and any funding issued will be recovered from them.
- 14.2 Applicants should note that, where a grant is paid by the Council, details of each individual grant may be passed to Government.
- 14.3 The Council reserves the right to reclaim any grant paid in error.

15.0 Data Protection

- 15.1 All information and data provided by businesses shall be dealt with in accordance with the Council's Data Protection policy and Privacy Notices which are available on the Council's website.
- 15.2 The Council will not make available lists of businesses that have applied or that have been successful for grant payment.

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Report to: **Council**

Date: **24th September 2020**

Title: **Fusion Support & Alternative Options**

Portfolio Area: **Health and Wellbeing / Finance**

Wards Affected: **All**

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

Author: **Chris Brook** Role: **Director Place and Enterprise**
Lisa Buckle **Director Strategic Finance**

Contact: Chris.Brook@swdevon.gov.uk

Recommendations, that the Council:

1. Agree to continue with the Fusion Contract as set out in Section 3 – strategic options appraisal, as being the most appropriate means of supporting health and wellbeing objectives within the District.
2. Subject to Recommendation 1 above being approved, provide financial support to Fusion through to March 2021 of £113,000, to cover the minimum level of support to Fusion (this is **the cost of continuing with the current arrangements** of the Ivybridge Leisure Centre being fully open, the dryside at Kingsbridge being open and Dartmouth being mothballed – these current arrangements have the minimum cost), to be funded from the Business Rates Retention Earmarked Reserve.
3. Consideration be given to extend the minimum level of financial support and extend the current arrangements so as to deliver improved health and wellbeing outcomes, as follows:
 - 3a.** Re-open the pool at Kingsbridge at an extra cost of £27,000 – total cost £140,000 of all arrangements
 - 3b.** Re-open the pool at Kingsbridge and the gym at Dartmouth at an extra cost of £79,000 – total cost of £192,000 of all arrangements
 - 3c.** Fully open Kingsbridge and Dartmouth leisure centres at an extra cost of £130,000 – total cost of £243,000 of all arrangements
4. Approve to fund any extension of financial support from the minimum level, from the Business Rates Retention Earmarked Reserve. (This would be £27,000 for Option 3a, £79,000 for Option 3b and £130,000 for Option 3c).
5. Work in Partnership with Fusion to deliver a social media and all channels communications campaign to highlight the leisure centre facilities that are open (subject to recommendation 1,2,3 & 4), improve awareness and improve participation.

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1. Executive summary

- 1.1. The Covid-19 pandemic and a lack of central Government support have created very challenging conditions for Fusion, the Council's Leisure provider.
- 1.2. This report sets out those challenges, considers the alternative management options for the Council and provides a series of options for Members to consider over the long term future for the Leisure Centre provision.
- 1.3. The report finds that the preferred long term delivery solution is to support Fusion, having given consideration to the financial, legal and reputational risk and health and wellbeing benefits.
- 1.4. It reviews the short term options available to the Council and their relative merits and concludes that the minimum position should be that of providing financial support to mothball leisure centres and open the wetside or dryside facilities where this is the most cost effective option for the individual leisure centre. It then goes on to suggest that the Council may wish to consider providing further support than that position, so as to be able to deliver health and wellbeing benefits in the area.
- 1.5. It notes that improved communication between Fusion, its members and the Council should be a prerequisite of further financial support. It highlights the agreement reached on pricing structures, including a reduction in casual swim price from £8 to £6, concession price from £5.60 to £4.80 and all other casual activity prices remaining at pre-lockdown rates until April 2021 or earlier based upon normal price increase arrangements.

2. Background

- 2.1. The background to the current leisure position is set out in the appendix and in the previous report to Council in July 2020.
- 2.2. The cost of mothballing all centres in April, May and June has been funded by the Council at a cost of £34.5k per month. The total of £103,500 was approved by Council (Minute Reference CM97/19) to be funded from the Land and Development Earmarked Reserve.
- 2.3. The Council provided further support to Fusion for the reopening of the Centres, which enabled Ivybridge and Quayside (dry only) to reopen from August. The total cost of this support was £88,000 (which included continued mothballing support for Dartmouth) and was approved by Council on 30th July 2020, to be funded from the Economic Regeneration Earmarked Reserve. Therefore financial support to date for Fusion has totalled £191,500.
- 2.4. The interim financial support provided by the Council enabled some services to reopen and provided time for the Council to consider its strategic options for the longer term delivery of the health and wellbeing services.

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- 2.5. There are two issues for Council to consider. The first is a fundamental one, which is: What is the best delivery option for Health and Wellbeing in the district in the long term, which includes in-house delivery, alternative structures, suppliers as well as ceasing to deliver Health and Wellbeing at all. The risks and benefits of each of these options is set out in Section 3.
- 2.6. The second, is subject to the first. Should that outcome be to continue with the current provider, Fusion, to what extent should the Council make additional funds available, for what outcomes and on what terms. In doing so, the Council must consider the following; its own financial position, the value of delivering Health and Wellbeing to the district, the extent of delivery across the district, the Council's reputation and the legal requirements of the Contract. These issues are discussed in Section 4.

3. Strategic Options Appraisal for Health and Wellbeing Delivery

- 3.1. In preparing this report, officers have undertaken the following:
 - 3.1.1. Commissioned legal advice on the Contract.
 - 3.1.2. Engaged through Local Partnerships with all of Fusion's clients.
 - 3.1.3. Engaged direct with most of Fusion's clients.
 - 3.1.4. Appointed a consultant to advise on the current state of the market and alternative delivery options.
 - 3.1.5. Engaged with Fusion throughout the period culminating in this strategic report.
- 3.2. There are four options available to the Council for the delivery of Health and Wellbeing as follows:
 - 3.2.1. Continue with services outsourced to the current provider (Fusion)
 - 3.2.2. Bring the delivery of leisure services back in House
 - 3.2.3. Outsourced to an alternative provider
 - 3.2.4. Not at all (cease to provide health and wellbeing services)

Ending the current contract

- 3.3. A pre-requisite of choosing an option 2, 3 or 4 above is that the 25 year contract between the Council and Fusion would need to end. This can happen one of three ways. The Council could trigger the contractual breakclause after April 2021 (serving at least 6 months' notice), the Council forfeit the contract or Fusion ends the contract (in this case, presumably by going in to administration).

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- 3.4. Should the Council wish to end the contract with Fusion through either option set out above, it would face significant costs, as it would be obliged to pay Fusion:
- any amounts properly due and invoiced; and
 - the Profit Payment (which if terminated within the first 10 years of the Contract is Fusion's modelled loss of profit for the first ten years of the Contract); **less**
 - any amounts the Councils are entitled to set off.
- 3.5. These costs are set out in Appendix A, Table 1.1. and in the case of forfeiting the contract, could potentially be greater as the issue could be settled in court.
- 3.6. Should the contract end through default on the part of Fusion, then this issue ceases to exist, but the Council is then faced with the need to run or close its leisure centres, TUPED staff and redundancy costs.
- 3.7. With that in mind, the Council should consider the delivery mechanisms to do that, were that to be the case.

In house Delivery

- 3.8. The option to run services in house, is expensive when compared with any outsourced alternative for one primary reason, the buildings become liable for business rates. In this case, the business rates cost is £280K per year, or £5.9m over the remaining life of the contract. The current provider receives rate relief due to being a charity. It may be possible to set up a Council wholly owned company to mitigate this issue.
- 3.9. Running services in house also requires a skill set which the Council does not currently have and would take time to build up and buy in. Once established, there are examples of in house operation that do get close to the market position in terms of efficiency. The Council ruled out in house operation of leisure services when it went through its procurement in 2015 and all the reasons set out in Appendix A - Section 3, as to why it did not make sense, including the cost and disruption, were as valid then as they are now.

Outsourced delivery

- 3.10. Providing leisure services through an outsourced structure mitigates the issue of business rates, which makes the option considerably more attractive financially speaking. It also has the advantage of being an off the peg solution with minimal disruption, scale and efficiency, whilst recognising that it requires a lengthy procurement process to set up initially (C. 12 -18 months). Appendix A – Section 3 considers the benefits and risks of this option in more detail.

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- 3.11. Ceasing to operate Health and Wellbeing (specifically leisure centres) has some considerable challenges for the Council and goes against its current adopted strategic priorities, however it must be recognised that the delivery of Health and Wellbeing is a discretionary service.
- 3.12. The first is that the Council has borrowed to invest in its leisure centres to modernise them and improve the quality of the experience, notably in Ivybridge. The Council has borrowed £6.3m for investment in its leisure centres, with a large part of this being for Ivybridge. The borrowing has interest and principle repayments that the Council needs to meet. For example in 2020/21 the annual repayments are £132,642 for interest repayments and £300,136 for the capital repayment (MRP – minimum revenue provision). The Council has budgeted to use the management fee from the contract to repay the borrowing.
- 3.13. Of the £6.3m invested in leisure, 15 loans maturing in each of the years from 2023 onwards to 2037 were taken out with the Public Works Loans Board totalling £5.49m. The rest was internally borrowed. The 14 PWLB loans have a principal amount of £360,000 and the last loan is for 19 Years for £450,000. The average fixed interest rate is 2.41%. Of the borrowing £6.3m, an amount of £5.97m will remain outstanding at the end of March 2021.
- 3.14. Should the Council have no leisure centres and therefore no management fee for running them, it would have to rely on other sources of revenue to repay the debt.

Summary

- 3.15. Whilst there is much more detail on these options set out in Appendix A – Section 3, the summary position is that the Council is best placed to work with its current leisure provider until such time as this is no longer an option for reasons outside of the Council's control.
- 3.16. In doing so, it will:
- 3.16.1. Significantly reduce its financial exposure.
 - 3.16.2. Reduce disruption to Health and Wellbeing delivery, as every other option has a number of months of considerable disruption and a number of years of "bedding in".

4. Supporting Fusion – Issues for Consideration

Legal

- 4.1. Officers have taken legal advice on the impact of the Government's decision to close leisure centres and now allow them to re-open but with certain new guidance and restrictions in place, has on contract and therefore the Council.

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- 4.2. The contract contains a change in law clause which has been triggered by the Government's actions and as such, it is a requirement under the contract for the Council to provide support during the forced closure period. The Council has provided this support.
- 4.3. Now that centres are allowed to re-open, the impact of the government's restrictions on Fusion's ability to operate the leisure centres is also a burden that falls to the Council. However, both parties are free to mitigate those costs by mothballing leisure centres.
- 4.4. Furthermore, it is a requirement of the Council prior to providing additional support above and beyond the minimum costs for each leisure centre, to ensure that Fusion are a going concern. This consideration is assessed through Fusion's business case, which is included in Appendix B.

Finance

- 4.5. Councillors will have debated the current budget position and be well versed on the financial position of the Council. The latest revenue budget monitoring report for Month 3 (end of June) to the Executive predicts a budget shortfall of £1.313 million for 2020/21. Members are considering options to set an Amended Budget for 2020/21 as part of this Council agenda. The Council is therefore able to take a balanced view on the affordability of supporting Fusion. It is the case that the Council could use its reserves to support Fusion as detailed in the report.
- 4.6. The Council would not want to be in a position of having to pay for services that can't be delivered in the event that Fusion go in to administration (even if leisure centres are mothballed) and therefore must adopt an approach of "pay as you go" or more accurately payments made in arrears on a monthly basis. This builds in a layer of protection for the Council.
- 4.7. The Council would ideally wish to see its financial support paid back, in the form of a loan. This should apply to any costs over and above the minimum cost of support for each centre. This position has successfully been negotiated with Fusion by officers.
- 4.8. Financial support of above that of the minimum costs paid by the Council, can be paid back through a surplus share clause in the contract. It should be noted that this therefore does not guarantee re-payment, but makes it possible.
- 4.9. Furthermore, the management fee owed by Fusion up to April 2021 is proposed to be rolled up and re-paid in-line with the existing contractual re-payment profile (linear) – i.e. deferred. This creates short term cash flow pressure. It is however a preferable position to waiving the management fee, which is the position a number of other Councils are in with respect to their leisure contracts.

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- 4.10. In a letter from Alex Skinner (Local Government Finance Directorate of MHCLG) it was stated that if authorities are making additional payments to their leisure provider to a) ensure the wider sustainability of providers and/or b) to support the extra costs of providing leisure services in a Covid-19 compliant way, that these cost pressures would not be within the scope of the Government's support scheme.
- 4.11. In contrast, where leisure services are delivered in-house and a Council had budgeted to collect the income from the leisure centre through customer charges, such income would be within the scope of the Government's income guarantee scheme. The Government has acknowledged that the support Councils receive will depend on how an Authority's leisure services are delivered. The Council will be lobbying the Government on this inconsistency through the South West Councils network and the point will be made that our leisure services were outsourced in order to achieve value for money for residents.
- 4.12. In the event of government funding being directed to Fusion we have agreed they will repay any additional costs already incurred and proposed to be incurred to the end of the financial year.
- 4.13. In summary, the terms of support that have been discussed with Fusion are reasonable, when set in the context of the legal advice and the rest of the market. The quantum of that support is the issue in hand as set out in Section 5 – Centre re-opening options.

Actual Costs to Date

- 4.14. As agreed by Council the support to date has been on an open book basis, with actual costs being paid, not forecast costs. Appendix C sets out actual costs up to and including August.

Health and Wellbeing

- 4.15. It is not the case that the Council's leisure centres are the only services available in the area. However they are the biggest and most complete in the offer that they provide. This includes, swimming (casual, club and swim school), gym & personal training and group fitness classes.
- 4.16. One of the Council's adopted strategic priorities is Health and Wellbeing and it has a history of providing these services, which is why it has entered into a long term contract to do so. It should of course, only strive to continue to do so when it does not put the Council or its other services at risk.
- 4.17. The geographical spread of the Council's leisure centres is relevant when considering which if any centres the Council would like to keep open. Average travel times to centres are ~20mins in usual times,

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much longer than that and customers usually seek an alternative option if it is available. Of course, these are not usual times.

4.18. The capacity of certain important functions delivered through leisure centres is impacted by the number (if any) of centres open. **Swim school** should be seen as a good example of this.

4.19. For example, the opening of **Kingsbridge Pool** (Quayside) and Dartmouth would facilitate the following swim school potential across the District:

Centre	Swim School Members
Dartmouth Leisure Centre	103
Ivybridge Leisure Centre	613
Quayside Leisure Centre	598
Totnes Pavilion & Pool	309
Total	1,623

4.20. Links between physical and mental health have long been proven. As we enter the autumn and winter, alternative exercise options outside may cease to become attractive to many.

4.21. There are a small but very important minority of people that rely on the Council's leisure services for specific exercise and health needs. These are some of our more vulnerable residents and whilst they are small in number they should be high in our priority.

4.22. Last year 202 **GP referrals** were received in Kingsbridge (Quayside), 57 in Ivybridge and 62 in Totnes. This service can only function if centres are open. A GP referral scheme in Dartmouth is also planned.

4.23. The **GP referral scheme** is discretionary (both by the GPs and Fusion) and operates to try and promote long term health benefits and empower patients. GPs refer the patient, often for a cardio rehabilitation class at one of the leisure centres.

4.24. The patient is able to sign up for a less expensive £25 monthly membership which allows them to access the specific classes and training offered by Fusion. Fusion on their part have to train their fitness instructors to a higher standard (level 4) so as to be able to offer the service. This is a cost to them which they seek to cover from the patient membership. It is often hard to make it work financially, but is a priority for Fusion, given the health and welling benefits.

Reputation

4.25. The Council has received a significant amount of contact from members of the public who wish to see leisure services re-opened

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fully and furthermore, the Council's reputation has been adversely impacted by poor communication and pricing strategy of Fusion.

- 4.26. The reputation of Fusion and the Council is central to ensuring the long term success of the leisure services, as Fusion's members will vote with their feet. Officers have been working hard to bring this to the attention of Fusion and to have it addressed. It must improve going forward as part any package of support.
- 4.27. The reputation of the Council would be enhanced through the reopening of the centres; supporting services in the District, health and wellbeing, jobs and leisure.
- 4.28. However, this should be put in context. The population of South Hams receiving frontline services from the Council is 86,000 (2018 figures). The number of visits to the leisure centres in total last year was 490,000. If we assume that each person who visits does so once a week on average, then this represents 9,423 individuals.
- 4.29. It is right and proper that those who have a view on this Council decision should make those views known, and this has been seen to be the case. The Council's job is to consider them as part of the overall position, not in isolation.

Employment

- 4.30. It is known that Fusion are in the middle of a programme of redundancies following their need to re-structure delivery to meet the new levels of demand and introduce operational efficiencies.
- 4.31. That process is independent of the Council's decision on which if any centres to provide financial support to open. However, if the Council take a decision not to provide financial support for re-opening for any centres, the staff at those centre will be put on notice of redundancy.
- 4.32. The employment position is set out below. NB. These figures are estimates as the process is yet to be complete.

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4.33. Should the contract with Fusion end for any reason, redundancies costs could fall on the Council. These costs could be up to £200k.

South Hams Staff Restructure Estimate			
Site	Employee Count*	Redundancy estimate no. of staff	Remaining Staff**
Dartmouth Leisure Centre	14	4	10
Devon Contract Management****	58	51	7
Ivybridge Leisure Centre	59	34	25
Pavilion Leisure Centre	38	13	25
Quayside Leisure Centre	42	21	21
	<u>211</u>	<u>123</u>	<u>88</u>
<i>* pre-crisis number of employees</i>			
<i>** assumes site continues to operate</i>			
<i>**** includes casual work employees & is across SH&WD</i>			

Fusion's Other Clients

4.34. The actions of all of Fusion's clients are intertwined and have a bearing on the long term viability of Fusion as a business. Whilst the Council must take its own decision on the level of support it feels is appropriate, it should also consider the position of Fusion's other Clients.

4.35. The following update has been provided by Fusion:

4.36. Remobilisation plans are agreed with 16 out of 18 local authorities. In 2 of the 16 cases the agreed plan is to end the contract. The remaining 2 mobilisation plans not yet agreed are expected to be finalised before the end of next week.

4.37. In the 16 cases where it is relevant the clients have signalled their support for Fusion's CBILS funding (Coronavirus Business Interruption Loan Scheme). The formal acknowledgement of this support will be documented in an exchange of letters before the end of this month.

Fusion Current Business Viability

4.38. Fusion have an approval in principle for a CBILS (Coronavirus Business Interruption Loan Scheme) loan. This is provided by NatWest and is 80% backed by government.

4.39. A final decision on this loan is due after the publication of this report and an update can be provided at the Council meeting.

4.40. The process of getting a CBILS loan is as robust as getting any corporate financing as whilst it is 80% backed by government, all of

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the burden of debt recovery (100%) sits with the bank.
Furthermore, the bank's own money is at risk.

- 4.41. A summary of the business plan supporting the loan application for Fusion as an entire business is included in Appendix B.
- 4.42. Section 2 of Appendix A also sets out the current credit rating of the company.
- 4.43. Referring back to para 4.4 of this report, it can be concluded that, subject to the granting of the CBILS loan, Fusion are a going concern.

Communication Strategy

- 4.44. This has been an area of concern for the Council and Fusion's members.
- 4.45. A much stronger join up of communications is needed between Fusion and the Council, through its communication team. This has been implemented as of w/c 14th September and it should be a condition precedent of any financial support that Fusion deliver a better standard of communications within the contract.

Usage in August

- 4.46. The interim support package that the Council had agreed for August and September has allowed limited re-opening of centres. The uptake of these services compared with the forecast uptake is of interest.
- 4.47. So as to give the widest possible market intel, both SH and WD info is included below.

Centre usage for August and 1st week September, 2-8th;

Activity:	Ivybridge - 3 rd Aug open	Quayside - 10 th Aug open	Parklands - 17 th Aug open	Totnes - 1 st Sept open
Group Exercise - classes	1,706	896	506	163
Gym - health & fitness	1,554	1,257	518	180
Swimming - general	3,596	n/a	853	157
Total	6,856	2,153	1,877	500

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4.48. The table below indicates how much spare capacity the centre has remaining:

Ivybridge			
Weekly Gym and Class Bookings	Capacity	Weekly Attendance	% of max occupancy
		2nd Sept - 8th Sept	
Gym	2016	352	17.46%
Classes	669	421	62.93%
Swimming	1600	1212	75.75%

Quayside			
Weekly Gym and Class Bookings	Capacity	Weekly Attendance	% of max occupancy
		2nd Sept - 8th Sept	
Gym	1596	275	17.23%
Classes	565	241	42.65%
Swimming	N/A	N/A	N/A

Totnes			
Weekly Gym and Class Bookings	Capacity	Weekly Attendance	% of max occupancy
		2nd Sept - 8th Sept	
Gym	1512	180	11.90%
Classes	478	163	34.10%
Swimming	880	157	17.84%

4.49. Key points to highlight from usage:

- An above forecast uptake of swimming in Ivybridge.
- Group activity showing positive uptake in across the centres.
- Gym usage has seen lower take up levels, lower than anticipated.
- On memberships, those paying monthly, retention of members has been good with approximately 60% of members returning, which is above the UK Active projections of 40% for the sector.
- Swim school will start from the w/c 21st September.

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4.50. This usage reflects that the core offer and current management arrangements are as follows:

- Opening hours reduced to 8am-8pm during the week and 8am-4pm at the weekends. These hours to be reviewed to consider usage data.
- Re-configuration of public and operational areas to allow social distancing measures, safety of staff and customers.
- Initial activities on offer will include group exercise, gym and swimming. All sessions to be pre-booked and paid in advance and capacity to be determined by size and mix of the centre.
- Sports and Community Development, including health referrals, is currently being reviewed and staff will be brought back shortly.

Fusion pricing structure

4.51. There have been a number of pricing issues (linked to the section above) that have caused concern to Fusion's members and the Council.

4.52. Most noticeably is the increase in casual swim charge to £8 from £4.50. Whilst this is an operational matter for Fusion under the contract to review its charging regime, and indeed may be preferable, so as to ensure it remains a viable entity able to deliver high quality services, it is hard to reconcile a price rise whilst also seeking public financial support.

4.53. This issue is somewhat complicated by the legal position placing an obligation on Fusion to minimise the level of financial support it requires from the Council, something which this action seeks to achieve.

4.54. Negotiations over this point have concluded that as part of the next phase of re-openings Fusion will revise casual pricing and it has been confirmed that:

- Swimming standard: Will be moved from £8 to £6
- Swimming concession: Will be moved from £5.60 to £4.80
- These prices will be reviewed in March 2021 or earlier subject to how the centres operate as per our ongoing discussions
- All other casual activity prices will remain at pre-lockdown rates until April 2021 or earlier based upon normal price increase arrangements
- All swimming club hire rates will remain the same but will be reviewed and increased in line with local SLA agreements in place with clubs. This is similar for dry side clubs as well.

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Other centres in the area

4.55. The provision across Councils in Devon and Cornwall is highlighted below:

Council	Operator	Service Status
West Devon	Fusion	1 centre Open, 1 centre closed (at time of writing)
Teignbridge	In House	All 3 Centres open
Mid Devon	In House	All 3 Centre open
East Devon	Local Trust – Leisure East Devon	6 Centres open, 2 Centres remain closed
North Devon	Contractor – Parkwood Leisure	Both Centres have re-opened.
Exeter	Return In House	Centres currently closed, looking to re-open during end Sept and October, service to return in house from Contractor – Parkwood Leisure.
Torrige	Contractor – 1610 Leisure Trust	All 3 Centres remain closed.
Torbay	Contractor – Parkwood Leisure	Torbay Leisure Centre is now open wet and dry. Separate community pools at Brixham and Torquay to re-open during Sept.
Plymouth	Contractor – Everyone Active	Life Centre – to be closed until April 2021 due to urgent repair works. Other sites have re-opened including indoor pools and outdoor lidos.
Cornwall	GLL	Partial re-opening of centres. 5 centres still remain closed.

Other considerations

4.56. Whilst it is hoped that Fusion remain a viable going concern into the future, we are not operating in a normal market and future government restrictions, consumer habits and Covid risks may well work against the leisure sector.

4.57. For this reason, officers will work on a contingency planning for Health and Wellbeing delivery in the event that Fusion should go into

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administration. This report sets out clear benefits for long term delivery through an outsourced Health and Wellbeing provision, so the focus of this work will be to look at ways of minimising disruption in the short term whilst a re-procurement is undertaken – all of which would be subject of a further Council decision.

- 4.58. It must also be considered that a second lock down or Government mandate of the closure of leisure services may occur. Were that to be the case, the Council would revert back to paying mothball costs for the centres, which are £34.5k / month.
- 4.59. A further issue that must be considered by the Council is the long term impact of temporary closures on the customer numbers and therefore the contract viability and performance.
- 4.60. There is an opportunity to capitalise on market share by having centres open, for example from Plymouth Life Centre which is shut. Conversely, closures of centres until April 2021 will invariably push customers who choose to continue to use leisure services away to other providers and may not return.
- 4.61. This is quite hard to quantify, but is a very significant issue, given the business model of investing in the centres through our capital programme to promote growth in usage.
- 4.62. Having an active and engaged customer base is very important for the Council irrelevant of the delivery model it uses in the long term to offer Health and Wellbeing services.

5. Centre Re-opening Options

- 5.1 The costs of the options for each of the Leisure Centres, Dartmouth, Kingsbridge and Ivybridge are shown below.
- 5.2 Fusion are also the operator of the Totnes leisure centre, however they are contracted by Tadpool in that location, and as such any decision on re-opening remains between Fusion and Tadpool in that location.

Dartmouth Leisure Centre	Total cost from 1.10.2020 to 31.3.2021 (6 month period)
OPTIONS for Dartmouth	
i) Cost of continuing to mothball the site for 6 months	£36,000
iii) Cost of re-opening only the dryside (the gym) for 6 months	£88,000
iii) Cost of re-opening both the wetside (the pool) and the dryside (the gym) for 6 months	£139,000

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Kingsbridge Leisure Centre	Total cost from 1.10.2020 to 31.3.2021 (6 month period)
OPTIONS for Kingsbridge	
i) Cost of mothballing the site for 6 months	£66,000
iii) Cost of continuing to open the dryside (the gym) for 6 months	£45,000
iii) Cost of re-opening both the wetside (the pool) and the dryside (the gym) for 6 months	£72,000

Ivybridge Leisure Centre	Total cost from 1.10.2020 to 31.3.2021 (6 month period)
OPTIONS for Ivybridge	
i) Cost of mothballing the site for 6 months	£66,000
iii) Cost of only the dryside (the gym) being open for 6 months	£Nil cost (cost neutral)
iii) Cost of continuing to open both the wetside (the pool) and the dryside (the gym) for 6 months	£Nil cost (cost neutral)

Contract Management Cost	Total cost from 1.10.2020 to 31.3.2021 (6 month period)
If all the Leisure Centres are mothballed	Nil cost
If any of the Centres have the dryside open	£20,000
If one or more of the Centres are fully opened (dryside and wetside)	£32,000

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Summary of Options for all three sites	Total cost from 1.10.2020 to 31.3.2021 (6 month period)
Option 1- (Minimum Level of Support) Continue with the current arrangements of the Ivybridge Leisure Centre being fully open, the dryside at Kingsbridge being open and Dartmouth being mothballed – these current arrangements have the minimum cost.	£113,000
Option 2 (Re-open the pool at Kingsbridge) - Continue with the current arrangements and also re-open the pool at Kingsbridge. This would see both Kingsbridge and Ivybridge being fully opened and Dartmouth continued to be mothballed.	£140,000
Option 3 – (Re-open the pool at Kingsbridge and the gym at Dartmouth) – Continue with the current arrangements and also re-open the pool at Kingsbridge and re-open the gym at Dartmouth. This would see both Kingsbridge and Ivybridge being fully opened and the Gym being opened at Dartmouth.	£192,000
Option 4 – (Re-open the pool at Kingsbridge and both the pool and the gym at Dartmouth) This option would see all three Leisure Centres, Dartmouth, Kingsbridge and Ivybridge being fully opened with both the pool and the gym opened.	£243,000
Option 5 – any combination of options for each Centre can be added together to give a total cost to SHDC	As detailed in the Tables above.

- 5.3 It is the recommendation from Officers that the minimum position that should be adopted from the options table above is to continue with the current arrangements of the Ivybridge Leisure Centre being fully open, the dryside at Kingsbridge being open and Dartmouth being mothballed (the minimum level of support of £113,000), when considering the legal and contractual issues set out above.

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- 5.4 If Members chose to re-open the pool at Kingsbridge, this would cost an extra £27,000 and would mean the total cost would be £140,000 of all of the arrangements for the Centres for the next 6 months.
- 5.5 If Members chose to re-open the pool at Kingsbridge and the gym at Dartmouth, this would cost an extra £79,000 and would mean that the total cost would be £192,000 of all of the arrangements for the Centres for the next 6 months.
- 5.6 If Members chose to fully open Kingsbridge and Dartmouth Leisure Centres, this would cost an extra £130,000 and would mean that the total cost would be £243,000 of all of the arrangements for the Centres for the next 6 months.
- 5.7 The costs detailed in section 5, are the net expenditure costs when modelling the projected income streams, less the running costs (such as staff and utilities). No profit element is included in these forecast costs.
- 5.8 Fusion have not indicated that they would need any Council support (through extra funding) after March 2021.
- 5.8 Any financial support above and beyond the minimum costs of support are to be on an interest free loan basis, repaid over the life of the contract, triggered by the surplus share clause, which will be varied by a deed of variation under the contract. It will also be subject to strong communications performance.

6. Proposed Way Forward

- 6.1. It is proposed that the Council consider and approve the recommendation to support Fusion up until March 2021, as a minimum as set out in 5.3. In doing this, the Council will be mitigating its financial risk, but accepting the risks of non-delivery of Health and Wellbeing as set out above.
- 6.2. The Council may wish to consider going beyond this and recommending a further package of support from the tables in Section 5, ranging from the status quo which offers some Health and Wellbeing services across the area, to a full re-opening.
- 6.3. It is suggested that any further support package should be linked to improved joint communication between the Council and Fusion and a re-consideration of the pricing structure as set out in Section 4.
- 6.4. Whichever option Members decide to pursue would be based on the following principles
 - 6.4.1. Management fees due will be deferred and received from April 2021 onwards in an agreed payment schedule
 - 6.4.2. Actual costs only will be paid up to a capped limit, paid monthly in arrears and assessed on an open book approach

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6.4.3. The costs incurred by the Council (above the minimum of £113,000) would have the potential to be recovered as they are on the basis of a loan, recovered through an amended surplus share agreement in favour of the Council until costs have been recovered.

6.4.4. Any government funding received (either by Fusion or the Council) will directly set off the costs incurred first

6.5. This approach would enable the Council to continue to deliver Health and Wellbeing services whilst putting in place a structure to seek to recover costs as the business returns to normal.

7. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>A combination of powers enable the Council to provide the interim financial support that is proposed. Section 19 of The Local Government (Miscellaneous Provisions) Act 1976 allows a local authority to provide either indoor or outdoor recreational facilities as it thinks fit including the power to provide assistance of any kind. In conferring the power to provide leisure facilities on the Council, Parliament also conferred the power to contract with another person for their provision (see section 1 of the Local Government (Contracts) Act 1997). Subject to compliance with the rules on State-Aid, the provision of the interim financial support may be seen as something that is calculated to facilitate, or which is conducive or incidental to the provision of the Council's recreational facilities (see section 111 of the Local Government Act 1972).</p> <p>The Appendices to this report are exempt from publication because it contains information about financial and business affairs of the Council and third parties as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest lies in not disclosing this report at this time because it contains financial and commercially sensitive information which could prejudice the third party if such information was disclosed at this time.</p>

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<p>Financial implications to include reference to value for money</p>		<p>Financial support of £113,000 to cover the cost of the minimum level of support to Fusion (this is the amount to continue with the current arrangements of the Ivybridge Leisure Centre being fully open, the dryside at Kingsbridge being open and Dartmouth being mothballed – these current arrangements have the minimum cost), proposed to be funded from the Business Rates Retention Earmarked Reserve.</p> <p>Consideration to be given to extend the minimum level of financial support and extend the current arrangements so as to deliver improved health and wellbeing outcomes, as follows:</p> <ul style="list-style-type: none">3a. Re-open the pool at Kingsbridge at an extra cost of £27,000 – total cost £140,000 of all arrangements3b. Re-open the pool at Kingsbridge and the gym at Dartmouth at an extra cost of £79,000 – total cost of £192,000 of all arrangements3c. Fully open Kingsbridge and Dartmouth leisure centres at an extra cost of £130,000 – total cost of £243,000 of all arrangements <p>It is proposed to fund any extension of financial support from the minimum level, from the Business Rates Retention Earmarked Reserve.</p> <p>(This would be £27,000 for Option 3a, £79,000 for Option 3b and £130,000 for Option 3c).</p> <p>The Business Rates Retention Reserve has a balance of £6.1million, of which at least £900,000 is uncommitted. The Amended Budget report for 2020-21 (also an item on the Council agenda) has a proposal to use £343,000 of funding from this reserve towards the budget shortfall for 2020-21 of £1.3million. There is sufficient funding within the Business Rates Retention Reserve to fund the minimum level of support and any of options 3a to 3c.</p> <p>Fusion’s financial status and its business plan is included in Appendix B.</p>
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NOT FOR PUBLICATION

Appendix A, B, C and D of this report contains exempt information included in the appendices as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial affairs relating to the business affairs of the Council or a third party)

Risk		See Section 4
Climate Change		No operational impact
Comprehensive Impact Assessment Implications		
Supporting Corporate Strategy		Health and wellbeing
Equality and Diversity		Whilst private sector facilities are available within the District, opportunities for equality and diversity are improved through the re-opening of public sector leisure centres.
Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		This package of financial support would see the best health and wellbeing outcomes.
Other implications		

Supporting Information

Exempt Appendices:

- Appendix A – Fusion Options Report
- Appendix B – Fusion Business Plan
- Appendix C – Actual Costs up to August
- Appendix D – Lease Information

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Head of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes

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NOT FOR PUBLICATION

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Report to: **Council**

Date: **24 September 2020**

Title: **Ivybridge Regeneration Project - Update**

Portfolio Area: **Enterprise – Cllr Bastone**

Wards Affected: **All**

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

Date next steps can be taken:

Author: **Laura Wotton** Role: **Head of Assets**

Contact: **Email: laura.wotton@swdevon.gov.uk**

Recommendation :

Further to the update provided by this report, to continue to support the project as it moves forward to planning and tender stage and make a decision on progressing the project further at a subsequent meeting of the Executive and Council.

1. Executive summary

This report sets out the current position and makes recommendations with respect to the Ivybridge Regeneration Project at Leonards Road.

Following a report to the Executive (June 2020) regarding the Ivybridge regeneration project at Leonards Road Car Park to boost footfall to the town, the following recommendation was made:

To spend a further £65,000 from the Economic Regeneration Earmarked Reserve, on commissioning further work to provide advice in order to move the project forward in the following areas:

- *Planning*
- *Ecology*

- *Automated Number Plate Recognition (ANPR) & car park lease structure to facilitate a pay on exit solution*
- *Agreement to lease documents*
- *Treasury management advice*

Request that officers bring a subsequent report back to the Executive and Council in September with a recommendation for the project to move to the planning and tender stage, on the satisfactory conclusion of the work commissioned in Recommendation 3

Work has been ongoing by the Ivybridge Regeneration Project team since the recommendation of the Executive in June 2020. The project is progressing on the basis as set out within Item 1.2 above and this report will provide an update as to the current position. A further report will then be made to the Executive in December 2020.

By December 2020, it is anticipated there will be adequate information available in relation to key project risks to make a recommendation as to whether to proceed to the planning, tender and ultimate construction stage of the Ivybridge Regeneration scheme.

The decision to delay the full recommendation until the December date was made in order to:

- Commission an economic assessment of Ivybridge Town Centre – on Friday 31st July 2020, a meeting was held with Ivybridge Town Council (ITC), The Leader and Deputy Leader of the Council and local members, SHDC Chief Executive and Director of Place & Enterprise, at which greater clarity as to the benefits of the proposed development to Ivybridge catchment was requested. Therefore, an Economic Assessment has been commissioned.
- Consult with Key Stakeholders – once in receipt of the Economic Assessment and prior to returning to the Executive, an opportunity to consult further with ITC and other key stakeholders.
- Provide the Executive with greater confidence as to the likely success of the project – a number of assessments are ongoing with results awaited. These will not be available prior to the September Executive and the results of these will provide a more informed position and therefore greater confidence in the required decision to commit to spend circa £450,000 at risk for the submission of the full planning application.

This report should be read in conjunction with the Executive Report of **18 June 2020**

2. Background

Maintaining Ivybridge town centre as a retail and social destination is important for the growing community who live in the town and wider catchment area.

South Hams District Council wish to reinvigorate the town and create a vibrant, thriving centre widely used and enjoyed by the populous.

3. Outcomes/outputs

The previous Executive recommendation focussed on the completion of a number of key areas of work, prior to a return to the Executive for further consideration of the viability and desirability of the Ivybridge Regeneration Scheme.

A budgeted spend to complete this work was agreed at £65,000.

These costs have been reviewed and are sufficient to continue with works until the return to the Executive for further decision in December 2020.

The outcome of this report will be the provision of a project update to Executive focussing on these key themes only. There is no request for further funds.

4. Project Programme

Please see Appendix 1 which illustrates the Project Programme. This is a revised programme with workstreams to submission of the planning submission only in spring 2021.

The full programme is as reported to Executive in June 2020 with construction and completion dates as previously reported. The full programme will be updated further to the December decision, as appropriate.

5. Project Update

5.1 Project Team

To provide clear leadership, governance and project management, a project team has been established with roles identified and allocated. Please refer to Appendix 2 Project Organogram.

This illustrates the reporting hierarchy for the project and provides details of both the core and wider project team, within SHDC and externally through consultants and contractors.

5.2 Planning

A number of key activities are required to inform the projects viability ahead of returning to the Executive in December 2020.

5.2.1 Planning Consultant

Further to the assessment of a number of planning consultants, Bell Cornwell were appointed. An independent planning assessment of the site is being prepared as a precursor to a formal pre-application being made on the conclusion of key technical studies

5.2.2 Flood Risk Assessment (FRA)

Further to the assessment of a number of consultants and associated quotations, a FRA consultant has been appointed. An Initial FRA is being prepared based on provisional feedback from DCC & the Environment Agency.

5.2.3 Highways

Ross Johnson, SHDC Project Manager has met on site with a representative of the Devon Council County Highways team and further to their feedback on the principles of the development, a Highway Consultant has been appointed. An initial TRACS assessment has been completed on the revised design layouts to accommodate DCC's feedback.

Traffic flow analysis is being undertaken to inform negotiations on the Clean Air Initiative and potential S106 contribution requirement

5.2.4 Site Assessment

Further to the assessment of a number of consultants and associated quotations, the Ground Investigation assessment works have been instructed. This will involve a number of intrusive surveys being completed, including trial pits and boreholes. It is anticipated the initial intrusive survey works will take place during September 2020.

Statutory Services searches are in progress.

5.3 Ecology

The ecological survey works have been instructed and the extended Phase 1 Survey is now complete.

Results from the Phase 1 survey indicated the Ivybridge site as a potential Medium Value site for bats. Stage 2 Surveys have since been instructed and are ongoing (started in July and will continue to September), before completion in spring 2021. Results so far have revealed no roosting bats on site. Furthermore, to date no concerns have been raised regarding any other protected species.

5.4 Economic Impact Study

A meeting was held with Ivybridge Town Council (ITC), The Leader and Deputy Leader of the Council and local members, SHDC Chief Executive and Director of Place & Enterprise on 31st July 2020, to update the Town Council of progress with the Ivybridge Regeneration Project.

During this meeting, ITC wished to understand more regarding the economic impact of the proposed Aldi development as an anchor store within the regeneration scheme. In particular, whether an Aldi store was an appropriate anchor and what positive improvements this could make to the Town, its wider catchment and its communities.

In order to address this, it was decided to commission a report to look in detail at Ivybridge as a retail centre, the current trends of the community including the spend profile and anticipated leakage from the town.

CACI, a consultant who has a detailed understanding of consumer characteristics and their shopping demands and spends, has been appointed to provide the economic report.

The preliminary findings of this have been reported back to the Ivybridge Regeneration Project team and a subsequent meeting held with CACI. A second version of the draft report is expected soon and the final report will be shared in due course. In addition, the report will be shared and discussed with ITC and other key stakeholders prior to returning to the December Council meeting.

In summary, the draft report provides positive outcomes. Some of the key conclusions are as follows:

- Compared to the benchmark centres, there is capacity for Ivybridge to grow the proportion of value brands, of which Aldi would satisfy, as well as more accessible premium brands to appeal to affluent households currently shopping elsewhere.
- Placing an Aldi in Ivybridge would grow the Quaternary catchment and encourage a greater proportion of shoppers to visit the town. This in turn would encourage cross shopping with the existing offer and independents.
- 92% of all households in the catchment, index above the UK average on visiting Aldi at least once a month, indicating brand affinity in the area will be very strong
- Affluent households across the catchment will continue to use butchers and bakers in the town as they index above the UK average for choosing quality over price. They will then use Aldi for their everyday supplies.
- Ivybridge sits in the top half of all retail centres in the South West and has risen up the ranking since 2017 (and since the ITC commissioned report of 2013). It is important to introduce new brands to the area to ensure that Ivybridge does not drop in future rankings.

5.5 Parking

5.5.1 ANPR Technology

The previous Executive Report, suggested a car park regime utilising ANPR (Automatic number plate recognition) technology allowing "Pay on Exit" for customers with a change to the parking tariff system to provide 90 minutes free for Aldi customers and a maximum stay of 4 hours (short stay only).

The use of ANPR by local authorities to issue enforcement notices is not legally possible, so the suggestion was to use SHDC's dormant limited company Servaco to facilitate this arrangement and allow SHDC to retain the car park operation and associated revenue.

External legal advice (Gowlings) was commissioned and concluded as follows:

1. ANPR can be used by the Council (or its subsidiary) as part of an enforcement solution but only where the additional use of barriers or enforcement officers is utilised.

2. A subsidiary of the Council does not fall outside of the above constraints on local authorities because the land in question remains controlled by the Council (through its shareholding and the controls that need to be placed on the company in order for it to be Teckal compliant and avoid having to compete for the opportunity (to provide car parking services) via an OJEU competition)

Therefore the use of Servaco (or another subsidiary of the Council) does not allow SHDC to utilise ANPR technology to issue enforcement notices without a physical ticket being placed on a vehicle and/or given to an individual.

5.5.2 Proposed Car Park Regime

The advantages of an ANPR system largely relate to officer and administrative savings, as they remove the need for physically present monitoring and associated ticketing. Additionally, it drives greater compliance with any parking regimes.

However, as in this instance an ANPR system must be coupled with a barrier system, this removes the efficiencies gained by an ANPR system. Evidence gathered from other local authorities suggests barriers systems are not only costly to install but vulnerable to vandalism, break down and user error. They are therefore both costly from a monetary management perspective and officer time. We found no other local authority who advocated the use of barriers in a similar scenario to that of Ivybridge.

Furthermore, Aldi do not welcome barriered car park systems, which they regard as unwelcoming and not customer friendly. Nor do DCC's highways department, as they anticipate associated issues with traffic queueing on the highway if there is a problem with the barrier opening.

Therefore, an alternative car park regime has been identified and subsequently discussed with Aldi who are in support, as follows:

- **Upper Tier Car Park** – 100 dedicated spaces let to Aldi to be used as 90 minute free car parking within the demise of their fully repairing and insuring lease. The remaining 20 or so spaces will be segregated from the Aldi spaces (coloured hatching and possible physical barrier i.e. bollard system) to be SHDC administered Reserved Parking Permit Bays
- **Lower Tier Car Park** – SHDC long stay car park with circa 125 spaces with a range of tariff options (short & long stay and permit holders). It is proposed to mirror this regime in all SHDC car parks in Ivybridge.

It is believed that this solution will offer a more balanced car park tariff with a blend of long and short stay uses as well as some permit parking. A detailed car park report with associated costings will be brought back to Executive in the December 2020 report. However initial indications are, even with a 65% loss of income on short stay tariffs Aldi (shared trips), with an increase in tariffs particularly for all day parking, the impact is fairly cost neutral.

As stated, work is ongoing to test this and compile a detailed analysis to inform the decision in December 2020.

5.5.3 EV Charging Points

Further to agreement with Highways England, two electric charging points have already been installed within the car park at Ivybridge, albeit they are currently awaiting a grid connection before they can be utilised. These will be unaffected by the proposals.

5.6 Lease Arrangements

5.6.1 Appointment of Solicitors

External solicitors, Gowlings have been appointed to represent SHDC in respect of the Aldi project. The Crown Commercial Framework has been utilised to facilitate their procurement. Initial advice relates to the use of ANPR within SHDC/WDBC car parks but they are instructed to represent us across the project. The scope has been set and subsequent appointment made in consultation with our internal legal team.

5.6.2 Heads of Terms

Draft Heads of Term's (HoTs) will be updated in the main to reflect the revised parking position. In consultation with our legal team (internal and external), these revised HoT's will be prepared and reissued to Aldi.

Aldi are aware of this position and positive negotiations are continuing with a view to entering the Agreement to Lease in accordance with the programme (subject to reaching mutually agreeable terms and achieving board/council approval).

5.7 Treasury Management Advice

The report to the Executive on 18 June 2020 set out the business case which included the proposed borrowing structure for the project, which is based on fixed interest and repayment of 50% of the loan over the term of 50 years. The Council would need to refinance the other 50% at the end of the 50 years. The June Executive report also set out that there was a current consultation paper on borrowing from the PWLB for commercial schemes primarily for yield. It is the view of the S151 Officer that the primary purpose of this scheme is regeneration, which would be one of the four categories permitted for PWLB borrowing (the others being service delivery, housing and refinancing). The consultation ended on 31 July 2020.

Treasury management advice was sought on the borrowing structure, interest rate risk and a view on the recent PWLB consultation on borrowing. A summary of the initial advice is set out in Appendix 4.

5.8 Photovoltaic (PV) Installations

There is an opportunity to install PV panels on the available roof space of the proposed Aldi building. Investigations are ongoing as to the viability of any PV Installation and we are working with our energy consultants to produce a costed scheme with anticipated pay back periods. This will be available ahead of the December 2020 Executive.

6 Project Costs

Please see Appendix 3 which illustrate the Project Costs and updated spend against the £65,000 set out and agreed previously by the Executive.

At this stage, there is no requirement to increase this budget which will be sufficient to conclude the activities identified previously and bring the report back to the December 2020 Executive.

7 Consultation

Consultation with key stakeholders, including ITC, PL21 and neighbouring landowners (Glanvilles Mill owners) and occupiers, will be undertaken in accordance with the attached programme and ahead of the December 2020 Executive.

A further meeting will be scheduled with ITC as promised at the meeting with The Leader and Deputy Leader of the Council and local members, SHDC Chief Executive and Director of Place & Enterprise on 31st July 2020, to provide an update of progress ahead of the December Executive Meeting.

This consultation will include the bridges, skate park, footpaths and cycle ways and any environmental enhancements or mitigation.

Buildings adjacent to the proposed development site, such as the youth club building, now fall outside the project proposals and will not be directly impacted by the regeneration scheme. Consultation with adjacent owners/occupiers will however be undertaken as appropriate as the scheme progresses.

8. Summary

The progress with the project has been positive to date. Whilst the project team has encountered some technical issues these have been addressed in updated iterations of the design concept.

For example, a large surface water drainage pipe has been identified which runs between the town hall and proposed Upper Tier Car Park. Due to its diameter, the pipe has a wide easement which restricts the development. In order to address this, rather than a diversion of the main, the Upper Tier Car Park has been realigned to accommodate the pipe in its existing locality. Whilst this has reduced the number of available spaces slightly, the cost and programme implications of a diversion were significant and this revised design has mitigated this.

As the results of the various reports are returned, the project concept will be revised accordingly. Draft layouts (pre-planning) will be included in the December 2020 report.

9. Impact Assessment

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>Appendices 1, 3 and 4 to this report are exempt from publication because they contain information about the Council's financial and proposed commercial affairs as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest lies in not disclosing this report at this time because it contains financial and commercially sensitive information which could prejudice the Council if such information was disclosed at this time.</p> <p>These proposals are consistent with the Council's powers to borrow and invest under the Local Government Act 2003 and section 1 Localism Act 2011 (the general power of competence).</p> <p>Section 1 of the Local Government Act 2003 provides a power to the Council to borrow for the purposes of any enactment.</p> <p>There is an overriding duty toward prudent management of risk, and officers, including the Council's section 151 officer, owe a fiduciary duty in relation to given transactions.</p> <p>Legal due diligence will be carried out as part of the development process.</p> <p>Any future development will be subject to the normal Council planning process and any decision by Executive does not infer that planning permission for the proposed developments would be granted.</p>
Financial implications to include reference to value for money	Y	<p>Council have approved a spend of £65,000 from the Economic Regeneration report to fund the advice set out in the Executive Summary in Section 1. This report gives an update on each element of the advice sought. There are no further financial implications and the total project spend at risk remains £65,000 as approved by the June 2020 Executive. The intention of the £65,000 spend is to further understand the risks in relation to certain elements of the project.</p> <p>In addition, Minute E.14/19 (July 2019) agreed expenditure of £50,000 for this project previously and all of this previous budget has been utilised.</p>
Risk	Y	<p>All development projects carry risk. These are as previously reported in the Risk Register appended to the June 2020 Executive Report.</p>

		This will be revised in accordance with the work commissioned as set out above and will be updated for the December 2020 Executive Report.
Supporting Corporate Strategy		Commercial Investment Policy and Treasury Management Policy
Climate Change - Carbon / Biodiversity Impact		Aldi's UK and Ireland operation is carbon neutral. The council will utilise its procurement policy that allows the tender process to consider the carbon footprint of the supply chain when awarding contracts. Furthermore, the Council will challenge the design team to utilise best practice in the design of the project (including material choices) to minimise embodied energy in the construction phase.
Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no Equality and Diversity implications
Safeguarding		There are no Safeguarding implications
Community Safety, Crime and Disorder		There are implications crime and disorder reduction
Health, Safety and Wellbeing		There are no implications on Health, Safety and Wellbeing
Other implications		There are no other implications

Supporting Information

Appendices:

- Appendix 1 – Project Programme (Exempt from publication)
- Appendix 2 – Project Team Organogram
- Appendix 3 – Project Costs (Exempt from publication)
- Appendix 4 – Treasury management advice (Exempt from publication)

Background Papers:

Ivybridge Regeneration Project – June 2020 Executive Report

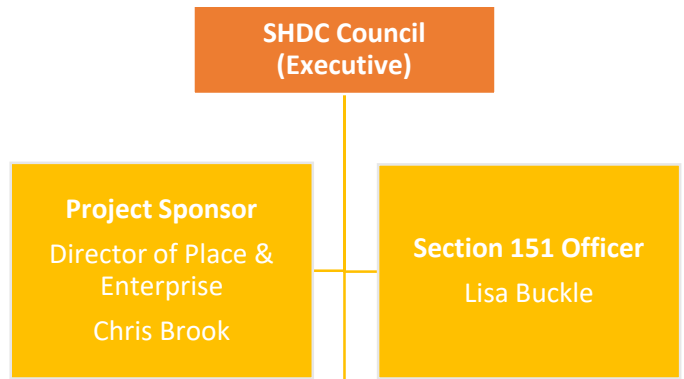
Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Head of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes

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Ivybridge Regeneration Project Organogram September 2020



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**MINUTES OF A MEETING OF
THE EXECUTIVE
HELD VIA SKYPE ON THURSDAY 17 SEPTEMBER 2020**

Members in attendance by skype:			
* Denotes attendance			
∅ Denotes apologies for absence			
*	Cllr K J Baldry	*	Cllr N A Hopwood
*	Cllr H D Bastone (Vice Chairman)	∅	Cllr D W May
*	Cllr J D Hawkins	*	Cllr J A Pearce (Chairman)

Also in attendance
Cllrs Abbott, Birch, Brazil, Holway, Long, O’Callaghan, McKay, Pennington, Reeve, Smerdon, Spencer, and Sweett

Officers in attendance and participating		
All items		Chief Executive; Director of Place and Enterprise; S151 Officer; Director of Governance and Assurance; Democratic Services Manager; Head of Housing, Revenues and Benefits; Head of Assets; Head of Strategy and Projects; Specialist Democratic Services

E.10/20 MINUTES

The minutes of the Executive meeting held on 30 July 2020 were confirmed as a true and correct record.

E.11/20 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of this meeting but none were made.

E.12/20 PUBLIC QUESTION TIME

No questions were received.

E.13/20 EXECUTIVE FORWARD PLAN

Members were presented with the Executive Forward Plan setting out items on the agenda for Executive meetings for the next four months and noted its content.

E.14/20

REPORTS OF OTHER BODIES

i)

Overview and Scrutiny Panel – 16th July 2020

O&S.4/20 – Homelessness Strategy Action Plan 2020/21

RESOLVED

That, with effect from 1 April 2020, the Executive adopt the Homelessness Strategy Action Plan 2020/21 (as attached at Appendix 3 of the presented report to the Panel).

ii)

Joint Development Management Committee and O&S Panel – 3rd September 2020

The Leader informed that Minutes OSDM.10/20 (Draft Amended Budget 2019/20) and OSDM.11/20 (Recovery Plan to the COVID-19 Crisis) were to be read in conjunction with agenda items 7 and 8 below (Minutes E.15/20 and E.16/20 below refer).

E.15/20

RECOVERY PLAN TO THE COVID-19 CRISIS

The Leader introduced the report and drew attention to the fact that this was the first time that the Executive had had the opportunity to review the draft Plan, and, as outlined in the report presented to the Joint Meeting of the Overview & Scrutiny (O&S) Panel and Development Management Committee, work would continue to be led by Members of the Executive under the themes set out in the current strategic framework.

Therefore, the Leader requested that the Chairmen of the O&S Panel and Development Management (DM) Committee consider withdrawing recommendation 6 from the Recommendations to Council as the establishment of a Working Group was not considered appropriate. Regarding recommendation 7, the Leader also clarified that it would not be possible to request that a member of Team Devon provide a Member Briefing, as Team Devon was a concept and not a specific group. The Leader confirmed that Team Devon had long existed but had strengthened during the pandemic and included other Local Authorities and stakeholders from across Devon, excepting Plymouth City Council and Torbay Council. The Leader asked officers to provide an enhanced explanation of this in the internal Members' Bulletin publication this week. It was hoped that this explanation would result in the recommendation to Full Council on 24th September 2020 being withdrawn at that meeting. The Executive thanked the O&S Panel and DM Committee Members for their input to reach this point.

Under Paragraph 13 of the presented agenda report, the Executive then laid out their priorities:

The Leader commented that improving the Council's reputation was key to the Recovery Plan as was ensuring that the Council worked at all times for the well-being of residents and businesses in the District.

The Deputy Leader then stated his belief that the priorities for the Business and Economy Theme were to understand and represent key business sectors in South Hams to facilitate better business for all to create business to business links to further best practice, to provide a channel to lobby and influence, and to improve access to Central Government and other support where the District Council was best placed to help. The Council should also wish to align its commercial strategy and land assets to deliver projects with multiple objectives, such as regeneration, revenue, housing and employment. In addition, the Council should take an active role in promoting tourism, working with partners and stakeholders across Devon. Work with partners to support the evolution of the 'High Street' creating place, fostering change and putting the community first. This priority was added as a response to how village shops had supported their communities through the Covid pandemic. The Deputy Leader concluded that his final objective was to work with partners to support green recovery and the principle of building back better.

Theme 2 Place and Environment Lead Member, the Leader, stated her view that the objectives under this theme should be to protect and enhance the beauty and character of the built and natural environment in South Hams. A further priority she considered was that the Council sustained and supported the vibrant towns and villages through the delivery of the Joint Local Plan, and by providing housing for the community, and that the Council should support a sustainable and resilient South Hams in line with the Council's commitments on climate change, including the identification of nature corridors and land use strategies to support the Council's biodiversity objectives.

The Lead Member for communication and service delivery then gave her objectives: Following the Council's 'Transformation 18 Programme', officers were perfectly set to be able to work from home with no detrimental impact on services, first with the 'Beast from the East' storm in 2019, then when the Covid Pandemic crisis. Members were also introduced to remote working arising from the Pandemic lockdown and all had responded well. The Member was strongly of the view that the Council now needed to concentrate on communication with its partners and communities, ensuring greater connection with those who use our services. Any future role of the Follaton House, Totnes site needed to be explored, whilst the Council continued to work remotely with some Council meetings being taken around the District, with venues reflecting the agenda. Council communications needed to be more relevant to our residents, with the reinstatement of the Residents Forum being investigated. The Member was also convinced that the use of social media had to be enhanced, increasing communication of daily tasks, for example letting a community know when their play park was being inspected, or their streets cleaned: simple messaging that was engaging and tackling real issues. The Council provided many great services that were not known of by residents and of which the Council could be justifiably proud. The Council should also build on the community groups that either grew out of Covid-19 and those that existed prior to the pandemic – mapping the groups to help the Council to identify and support the most vulnerable to achieve better outcomes and ensure that

work was not duplicated. The Member stated that this recovery plan was the start of modernising the Council and ensuring it was an outward facing organisation. From this, therefore, it was apparent that the Council required a new strategy to collate all learning achieved over the last months with the momentum and community spirit within South Hams captured and built on. The Member felt these were exciting times, improving communication and building on relationships with all residents and partners in South Hams.

The Lead Member for Health and Well-being began by thanking staff and residents for all the hard work that had been put in during the pandemic: he considered that the speed of response to the pandemic had been remarkable. The Member acknowledged the advances made in technological use by Members to enable working from home. Whilst he felt that the reputation of the Council had been dented by the aforementioned 'T18 Programme' and needed to be enhanced again. The Council needed to be supportive to all of its residents and communities ensuring that services were available when needed, and were quick, efficient, and easy to access. The Member outlined the main objective that South Hams District Council needed to be there for its local residents. To do this, he was of the view that there was a need to establish a Health & Well Being forum to build on the support developed recently, and thus ensuring sustainability for any future events, including a potential second wave of the pandemic. The Council needed to work with local Towns and Parish Councils to build community sustainability and self-help. Health and Well Being was the central thread to all services: housing, leisure, etc. For any residents facing unemployment, benefits and grants needed to be sourced quickly, efficiently, and as stress free as possible. The Member was looking forward to working with stakeholders, our community groups, and fellow Members irrespective of their political group.

The Leader of the Opposition, Lead Member for waste and environment, echoed the viewpoint that the response of residents during the pandemic had been tremendous. The Member thanked officers and Members for their input into the recent workshops and the resultant draft Plan. The ongoing Localities review needed to be finalised. The Member felt it was important to consider those working from home to ensure that anyone who was not able to do so easily could still be accommodated in alternative ways where it was operationally possible, although as a general rule remote working was the way forward. The Member felt it was important to enhance the condition of the beach and street scenes, for residents, businesses and visitors. Clearing of waste had been an issue this summer, therefore the efficient delivery of refuse and recycling changes were part of his objectives with a wish to increase recycling rates across the District.

The Leader then spoke on the governance theme, which included the way the Council worked and how services were delivered. The Leader felt it was now imperative that a review of the Constitution was undertaken to ensure it was more accessible and user friendly both to Members and members of the public, to reflect current and future practice. The Council must ensure it provided good service at good

value, at all times. The Leader also identified wider joint working and collaborative opportunities as important, but that they should not require structural changes. The Leader reiterated that there was no possibility of a merger with West Devon Borough Council, but, in the spirit of Team Devon and working better, any collaborative opportunities to save money and increase efficiency would be fully explored.

The final theme being financial stability, the Leader outlined one objective which was to ensure the future financial stability and sustainability of the Council as this was key to everything that the Council delivered. The Leader concluded by acknowledging the huge debt of gratitude owed to the Section 151 Officer, her team, and all the staff, for their work through the pandemic.

Following the objectives outlined above, the Leader added two further proposals to the report (recommendations 8 and 9). These were reviewed and explained that the officers would start working on developing a new corporate strategy to be taken to Council in May 2021, and the Governance theme be initially covered by the Leader working with officers, with changes being dealt with through the appropriate decision making process. The current strategy was acknowledged as having been developed by officers for the previous Council so it was agreed it was useful to have a new strategy for the new Council. The Strategy would cover the last two years of this Council and the first of the next, to allow the next administration to bed down and have time to develop its own strategy.

It was then **RESOLVED** that the Executive:

1. Note the Council's continuing response to the Coronavirus (COVID-19) Pandemic;
2. Note the outputs of the Member Workshops as detailed in Appendix 1 of the presented agenda report;
3. Note progress on the development of the Recovery and Renewal Action Plan ('the Plan');
4. Take into account the conclusions of the Joint Meeting on the Plan (that are set at Item 7b on this agenda (Minute OSDM.11/20 refers) and reflected in the updated Plan);
5. Request that an update on progress against development of the Plan be brought back to an additional Joint Meeting of the Overview and Scrutiny Panel / Development Management Committee to be arranged to take place at 2.00pm on 19 November 2020;
6. Note that the Joint Meeting has **RECOMMENDED** to Full Council that a Member Working Group be formed to oversee the work of the Responsible Team/Group/Strategy (as set out at Appendix 1 of the presented agenda report) specifically the Recovery Management Team. The remit of this Working Group being to set priorities and direct officers accordingly, with this Group to become effective immediately following the Full Council meeting to be held on 24 September 2020;
7. Note that the Joint Meeting has requested that a representative and relevant officer be invited from Team Devon to an informal

meeting of all Members to set out its plans and actions in respect of all those items set out in Appendix 1 to the presented agenda report as being its initial responsibility for instigation;

8. Instruct officers to start working on the development of a new Corporate Strategy with a view to adoption by Full Council in May 2021; and
9. Request that, for the Governance theme, it initially be covered by the Leader of Council working with officers, with changes being dealt with through the appropriate decision making process.

E.16/20

AMENDED DRAFT BUDGET 2020/21

The Leader presented the amended draft budget report for 2020/21. One Member stated that he would have liked to move an amendment but had ascertained that there was no seconder, therefore he would be voting against the proposals. The Leader confirmed that a briefing note would be circulated by the S151 Officer that sought to clarify the purpose of unearmarked reserves. Although CiPFA (Chartered Institute of Public Finance and Accountability) no longer recommended a minimum level for unearmarked reserves, the amount suggested by the Section 151 Officer was in line with the previous recommendations.

It was then **RESOLVED** that the Executive **RECOMMENDED** to Council:-

- 1) That the ten options set out in 5.2 totalling £1,313,000, in order to produce an Amended Revenue Budget for 2020-21;
- 2) To replenish unearmarked reserves through a range of measures to be agreed as part of the medium term financial strategy (MTFS) as per 5.8;
- 3) To note the future capacity of reserves set out in 5.13 which may have to be called upon to meet any future financial challenges and/or additional requirements;
- 4) To earmark the funding within the Business Rates Retention Fund for employment land opportunities as set out in 8.7; and
- 5) To approve Tranche 4 of the Discretionary Business Grants Policy (attached in Appendix 2), to confirm that in accordance with the Government guidance, Town and Parish Councils are able to apply to the scheme if they meet the eligibility criteria (as Section 11).

E.17/20

SIGNING UP TO THE COASTAL CONCORDAT

The Leader introduced the Coastal Concordat paper which needed to be signed by all Coastal Councils. The Coastal Concordat provided a framework with which the separate processes for the consenting of coastal developments in England could be better coordinated. The benefits of working under the Concordat included upfront signposting to the right agencies for the applicant, reduced duplication of evidence requirements, streamlined regulatory processes with one body taking the lead for any required assessments, transparency and consistency of advice, time and cost savings for regulators and applicants, and met the commitments outlined in the 25 year environment plan. It was confirmed that there were no cost implications for the Council.

It was then **RESOLVED** that, with immediate effect, the Coastal Concordat be signed up to.

E.18/20

IVYBRIDGE REGENERATION PROJECT UPDATE

The Lead Member for Enterprise introduced the Ivybridge Regeneration update. Some Members noted their dismay with the lack of involvement and monies from both Ivybridge Town Council and the owners of the Glanville Mills Shopping Centre on the issue of renovating the bridges linking the town to the Centre.

Carparking plans were outlined and discussed with confirmation that the issue would be brought back to Members in December for a final decision. Following a question from a Member, officers clarified that the current proposal of the Council undertaking the construction and then leasing the building aligned well with the adopted commercial strategy (enhancing public assets, regeneration, long term revenue), whilst recognising that it did carry risks around construction. Disposing of the land (sell or long lease) was an alternative that the market would have interest in, but it would not deliver all of those benefits.

It was then **RESOLVED** that the Executive **RECOMMENDED** to Council that:

Further to the update provided by this report, the Council continue to support the project as it moves forward to planning and tender stage, with a decision on progressing the project further then being made at a subsequent meeting of the Executive and Council.

E.19/20

EXCLUSION OF PUBLIC AND PRESS

RESOLVED

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

E.20/20

COMMUNITY HOUSING DELIVERY PROGRAMME: PROGRESS REPORT AND CAPITAL REQUIREMENTS

Members considered an exempt report on the above subject. One Member wished to have input on the procurement process and his offer of help was gratefully accepted.

It was agreed that a further Appendix on the cashflow position of the projects would be appended to the Council report.

There followed a full and frank discussion and it was then **RESOLVED** that:

1. The progress and spending commitments of the Community Housing Programme be noted; and
2. Approval be given to the signing of construction contracts to complete the St Anns Chapel and South Brent Developments; and

Council be **RECOMMENDED** to:

3. Approve Community Housing Development expenditure of up to £5.9 million to build out the first two Community Housing Schemes (St Ann's Chapel (13 units) and South Brent (17 units) as set out in the presented exempt agenda report; and
4. Approve funding of up to £5.9 million to build the schemes from a combination of internal borrowing and external borrowing (from the Public Works Loan Board).

(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF E.15/20 PART 4, E.16/20, E.18/20 AND E.20/20 PARTS 3 AND 4 WHICH WERE RECOMMENDATIONS TO THE COUNCIL MEETING HELD ON 24 SEPTEMBER 2020, WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY 28 SEPTEMBER 2020 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).

(Meeting commenced at 10:00 am and concluded at 11:55 am)

Chairman