

# South Hams Executive



<b>Title:</b>	<b>Agenda</b>
<b>Date:</b>	Thursday, 15th September, 2022
<b>Time:</b>	10.00 am
<b>Venue:</b>	Council Chamber - Follaton House
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Cllr Pearce</p> <p style="text-align: center;"><b>Vice Chairman</b> Cllr Bastone</p> <p><i>Members:</i> Cllr Baldry Cllr Holway Cllr Hawkins Cllr Hopwood</p>
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
<b>Committee administrator:</b>	Democratic.Services@swdevon.gov.uk

<b>1. Minutes</b>	<b>1 - 12</b>
to approve as a correct record the minutes of the meeting of the Executive held on 7 July 2022 and the special meeting of the Executive held on 12 July 2022;	
<b>2. Urgent Business</b>	
brought forward at the discretion of the Chairman;	
<b>3. Division of Agenda</b>	
to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
<b>4. Declarations of Interest</b>	
In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this meeting;	
<b>5. Public Question Time</b>	<b>13 - 14</b>
a period of up to 15 minutes is available to deal with questions submitted to the Council in accordance with the Executive Procedure Rules;	
<b>6. Executive Forward Plan</b>	<b>15 - 22</b>
<b>7. 2021/22 Draft Revenue and Capital Outturn</b>	<b>23 - 40</b>
<b>8. Waste and Recycling Services Update</b>	<b>41 - 56</b>
<b>9. Medium Term Financial Strategy for the Five Years 2023/24 to 2027/28</b>	<b>57 - 84</b>
<b>10. Housing Crisis Update - Energy Efficiency in Homes</b>	<b>85 - 94</b>
<b>11. Homes for Ukraine</b>	<b>95 - 100</b>
<b>12. Cost of Living Crisis</b>	<b>101 - 108</b>

**13. Exclusion of Public and Press**

to consider the following resolution to exclude the public and press:-

“That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following items of business in order to avoid the likely disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act”;

**14. Request for Renewal of Long Lease**

**109 - 134**

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**MINUTES OF A MEETING OF  
THE EXECUTIVE  
HELD IN THE COUNCIL CHAMBER ON THURSDAY, 7 JULY 2022**

<b>Members in attendance:</b>			
* Denotes attendance			
∅ Denotes apologies for absence			
*	Cllr K J Baldry	*	Cllr T R Holway
*	Cllr H D Bastone (Vice Chairman)	*	Cllr N A Hopwood
*	Cllr J D Hawkins	*	Cllr J A Pearce (Chairman)

<b>Non-Executive Members also present either in person or remotely for all or part of the meeting:</b>
Cllrs Abbott, Birch, Brazil, McKay, Pringle, Reeve, Taylor and Thomas

<b>Officers in attendance and participating:</b>		
All items		Chief Executive; Director of Strategy and Governance; Director of Place and Enterprise; Section 151 Officer; Monitoring Officer; and Democratic Services Manager
Items 7 and 12	Minutes E.16/22 and E.21/22	Head of Strategy and Projects
Item 9	Minute E.18/22	Head of Housing and Senior Specialist – Place Making
Item 10	Minute E.19/22	Senior Specialist – Economic Development
Items 11 and 13	Minutes E.20/22 and E.22/22	Head of Assets

**E.11/22 MINUTES**

The minutes of the Executive meeting held on 26 May 2022 were confirmed as a true and correct record.

**E.12/22 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 there were none made.

**E.13/22 URGENT BUSINESS**

The Leader informed the meeting that she had agreed for one item of urgent business to be raised at this meeting. The item was titled 'Freeport: Land Assembly at Langage' and was considered urgent in light of the associated time constraints.

In light of the item being considered to be exempt in accordance with paragraph 3 of Section 100(A)(4) of the Local Government Act 1972, it was the intention of the Leader to consider this matter at agenda item 14 (Minute E.24/21 below refers)

**E.14/22 PUBLIC QUESTION TIME**

The Leader informed that two public questions had been received in accordance with the Executive Procedure Rules.

The questions and responses were as follows:

**Question 1 from Mr Keith Kiddell:**

*£8.0m (now £8.5m) was the estimated cost of the Regeneration in January 2020. Construction material prices have increased from that original estimate to April this year by 44% and will probably be up by over 50% by the build start in January 2023. How will this increase be funded?*

In response, the Deputy Leader advised that, in recognition of the decision of the Development Management Committee at its meeting held yesterday (6 July 2022) to refuse the planning application, the Council was not now in a position to proceed with this project. In addition, the Deputy Leader was aware that Mr Kiddell had raised a number of other questions with both himself and the Head of Assets and he would ensure that responses were also provided to each of these outside of this meeting and he was also prepared to meet with Mr Kiddell to discuss further.

**Question 2 from Cllr Hladkij (Ivybridge Town Council Mayor):**

*How is £9 million of borrowing at the taxpayer's risk for a discount supermarket with no wider public realm improvements justified? Especially when it puts at risk the Council's own leisure centre viability, other local businesses, loss of public parking, and no enhancement to the appearance of the river area.*

In response, the Deputy Leader informed that the project was considered to be a regeneration project and not a public realm project albeit there were public realm benefits that were part of the planning application that had been refused at the Development Management Committee meeting held yesterday (6 June 2022). The project had been predicated on a business case that was positive and did not require any public subsidy.

**E.15/22 EXECUTIVE FORWARD PLAN**

Members were presented with the most recently published version of the Executive Forward Plan that set out items on the agenda for Executive meetings for the next four months and duly noted its contents.

**E.16/22 ANNUAL REPORT OF ACHIEVEMENTS**

The Executive was presented with a report that set out the Council's draft Annual Report of Achievements for 2021/22.

In discussion, the lead officer was thanked for putting together such a reader friendly Annual Report and the following achievements were singled out:

- the successes of the Localities Service;
- the support provided to Fusion to ensure that the Leisure Centres were re-opened;
- the investment given to play parks; and
- the proactive spending of Section 106 Monies.

It was then:

**RESOLVED**

1. That the achievements of the Council during 2021/22 be noted;
2. That the Annual Report for 2021/22 (as set out at Appendix A of the presented agenda report) be agreed and published.

**E.17/22 UPDATE ON PROGRESS – TACKLING RURAL POVERTY**

The Leader reminded Members that this item had been deferred from the agenda.

**E.18/22 HOUSING CRISIS – DEVELOPMENT AND ENABLING**

The Executive considered a report that informed of the delivery work undertaken in tackling the declared Housing Crisis. In particular, this report focused on:

- The historic housing delivery broken down to financial years from 2019;
- The projected delivery for 2022/23 and 2023/24;
- The feedback and customer access to the 'Enhanced Tenants Incentive Scheme';
- The response to the newly launched 'Step on Scheme';
- An update on the Disabled Adapted Panel;
- Financial contributions secured to enable affordable housing; and
- Focused individual property purchase.

In the ensuing debate, the following points were raised:

- (a) Members recognised the positive nature of the report and the progress that was being made and wished to put on record their thanks to the Housing Enabling Team;
- (b) The recent Executive Member visit to Sherford was felt to have been incredibly useful;
- (c) Whilst accepting that the definition of 'affordable housing' was derived from Central Government, it was felt that greater explanation of this point should be included in future Housing reports.

It was then:

### **RESOLVED**

That the progress regarding Affordable Housing Delivery be noted.

E.19/22

### **LEVELLING UP FUND ROUND 2 AND UK SHARED PROSPERITY FUND**

The Executive considered a report that set out an opportunity for the Council to submit Bids to the Central Government Levelling Up Fund (LUF) and the UK Shared Prosperity Fund.

In discussion, reference was made to:-

- (a) community renewable energy schemes. A Member hoped that there would be sufficient flexibility built in to the applications to be able to exploit the benefits of carbon reduction and lower cost energy for residents. Furthermore, the Member stated that Sustainable South Hams (SSH) had a number of specialist advisors in this area and, in response, the lead Member confirmed that he would follow-up this point outside of this meeting. As a general point, some Members commented that they were still not receiving invitations to SSH meetings and requested that SSH meeting organisers be advised accordingly;
- (b) an addition to the recommendation was **PROPOSED** and **SECONDED**. The addition sought (where appropriate) local Ward Members to also be consulted as part of the delegated authority granted to the Director – Place and Enterprise. When put to the vote, this addition was declared **CARRIED**.
- (c) the deadline of 6 July 2022. By way of an update to the published agenda report, officers informed that the deadline for submissions to the Levelling Up Fund Tranche 2 had been extended for a couple of weeks beyond the original deadline of 6 July 2022.



It was then:

### **RESOLVED**

That authority be delegated to the Director – Place and Enterprise, in consultation with the Leader of the Council and (where appropriate) local Ward Members to:

1. Ratify the decision to submit an application to the Levelling Up Fund Tranche 2 for Capital Funding for the A38 Corridor: Lee Mill Interchange Scheme (as outlined in Sections 2.1 to 2.6 of the published agenda report and Appendix A) before the prescribed deadline; and
2. Submit the UK Shared Prosperity Fund Bid in accordance with Section 2.7 of the published agenda report and Appendix A before the deadline of 1 August 2022.

#### **E.20/22 TOTNES LEISURE CENTRE – GRANT OF REVERSIONARY LEASE**

Members considered a report that sought to recommend to Council to grant a reversionary lease to Tadpool from March 2029 to March 2043.

In discussion, the difficulties in reaching this point and the need to now make swift progress were recognised.

It was then:

### **RECOMMENDED**

That the Council be **RECOMMENDED** to grant a reversionary lease to Tadpool for a period from March 2029 to March 2043.

#### **E.21/22 QUARTER 1 INTEGRATED PERFORMANCE MANAGEMENT REPORT**

The Executive was presented with a report that introduced the Quarter 1 Integrated Performance Management report for 2022/23.

In discussion, reference was made to:-

- (a) the 'on track' information. In future quarterly reports, the request was made for a greater number of projects to be included within the 'on track' information;
- (b) the general positivity of the performance report. Whilst there were a few projects that were defined as currently being 'off track', Members also highlighted that these were the exception and the vast majority were progressing well.

It was then:

### **RESOLVED**

1. That the progress made in delivering the Better Lives for All thematic delivery plans be noted; and
2. That the Overview and Scrutiny Committee be asked to consider forming a Task and Finish Group to support Officers in the development of an Electric Vehicle Charging Strategy for the district, with the draft Strategy being considered by the Executive at its meeting in October 2022.

E.22/22

### **IVYBRIDGE REGENERATION PROJECT UPDATE**

Consideration was given to a report that presented an update on the Ivybridge Regeneration Project following the meeting of the Development Management Committee held on 6 July 2022.

By way of an update, the Deputy Leader reminded those in attendance that planning permission had been refused by the Development Management Committee.

In view of this decision, the lead Member felt that it would be helpful to set out the project costs and proceeded to inform that:

- the Council report on 11 February 2021 had set out that the pre-construction costs could be up to £450,000. These were costs associated with: detailed design; the tender and planning process; and associated legal work on the agreement for the lease;
- in 2021/22, the Council spent £285,441 on the project and there had been further expenditure to date in 2022/23 of £83,484. As a result, there had been expenditure of £368,925 paid to date. Therefore, of the £450,000 referred to in the Council decision on 11 February 2021, the Council had currently spent £368,925 to date;
- there were also preliminary costs. As set out in reports to the Executive in June 2020 and September 2020, the preliminary costs totalled £115,000 and were for: planning; ecology; lease documents; and treasury management advice. As a consequence, the total expenditure incurred since 2019 amounted to £483,925 (£368,925 plus £115,000).

Following his update, the lead Member **PROPOSED** that:

1. the Ivybridge Regeneration Project be now terminated; and
2. it be noted that £483,925 has been invested into this Project.

(This was subsequently **SECONDED**).

In discussion, the following points were raised:-

- (a) Notwithstanding the decision of the Development Management Committee, a Member advised that:
- there were a number of (non-vocal) residents who had been supportive of the proposals;
  - the adopted Iybridge Neighbourhood Plan was consistent in its reference to the need for town centre development and the wish for an 'anchor' business/store;
  - it was disappointing that the Town Council had changed its mind mid-consultation and no longer supported the contents of its Neighbourhood Plan;
  - the Council had spent £483,925 of public money on the basis of the initial feedback of 67% of local residents supporting the project and this being the only suitable site that complied with the Neighbourhood Plan.
- (b) In calling for a lessons learned exercise to be undertaken by either the Overview and Scrutiny or Audit Committee, other Members felt that:
- as the project had evolved, it clearly became apparent that it did not suit the needs of Iybridge, with their view being that the town was able to regenerate itself;
  - the planning application had been sub-standard in their view, with a number of issues (including biodiversity and visual impact) having never been adequately addressed. As a result, the Members commended the Development Management Committee for unanimously voting to refuse the application and wished to highlight that no criticism should be made of the Planning Case Officer;
  - the press release issued from the Council on 6 July 2022 did not set the right tone and required further clarification; and
  - the approach to Consultation that had been adopted for this project did not fit with the conclusions reached by the Task and Finish Group review into Consultation and Engagement.

It was then:

**RESOLVED**

1. That the Iybridge Regeneration Project be now terminated;  
and
2. That it be noted that £483,925 has been invested into this Project.

E.23/22 **EXCLUSION OF PUBLIC AND PRESS**

It was then:

**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.24/22 **URGENT BUSINESS – FREEPORT: LAND ASSEMBLY AT LANGAGE**

As highlighted earlier in the meeting (Minute E.13/22 above refers), consideration was given to an exempt report that sought to approve the principle of the use of a Compulsory Purchase Order.

Following a brief debate, it was then:

**RECOMMENDED**

1. That Council be **RECOMMENDED** to approve the principle of the use of a Compulsory Purchase Order process in accordance with the details set out within the published exempt agenda report; and
2. That it be noted that the Director of Place and Enterprise will be urgently commissioning specialist technical legal and other specialist advice to progress this matter, and that further resolutions will be sought from the Council as and when required.

***(NOTE: THESE DECISIONS, WITH THE EXCEPTION OF MINUTES E.20/22 AND E.24/22 (PART 2) (WHICH ARE RECOMMENDATIONS TO THE COUNCIL MEETING TO BE HELD ON 14 JULY 2022) WILL BECOME EFFECTIVE FROM 5.00PM ON MONDAY, 18 JULY 2022 UNLESS CALLED IN, IN ACCORDANCE WITH SCRUTINY PROCEDURE RULE 18).***

(Meeting commenced at 10:00 am and concluded at 11.20 am)

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Chairman

**MINUTES OF A SPECIAL MEETING OF  
THE EXECUTIVE  
HELD IN THE COUNCIL CHAMBER ON TUESDAY, 12 JULY 2022**

<b>Members in attendance:</b>			
* Denotes attendance			
∅ Denotes apologies for absence			
*	Cllr K J Baldry	*	Cllr T R Holway
*	Cllr H D Bastone (Vice Chairman)	*	Cllr N A Hopwood
*	Cllr J D Hawkins	*	Cllr J A Pearce (Chairman)

<b>Non-Executive Members also present either in person or remotely for all or part of the meeting:</b> Cllrs Abbott, Austen, Birch, Foss, Long, McKay, Rowe, Spencer and Sweett
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<b>Officers in attendance and participating:</b>		
All items		Chief Executive; Deputy Chief Executive, Section 151 Officer; Director of Strategy and Governance, Monitoring Officer (via Teams); Democratic Services Manager; and Head of Waste and Environmental Services

**E.25/22      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 there were none made.

**E.26/22      EXCLUSION OF PUBLIC AND PRESS**

It was then:

**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.27/22      WASTE AND RECYCLING SERVICES CONTRACT UPDATE**

Consideration was given to an exempt report that provided an update on the status of the Waste and Recycling Services Contract. It was noted that the report was an urgent report and that it had been agreed with Chairman of the Overview and Scrutiny Committee that the Call-in provisions should not apply of this report.

Following a lengthy debate during which widespread support was expressed for the proposed way forward and the strictly confidential nature of the contents of the published agenda report was reinforced, Members expressed a wish to re-admit the public and press to the meeting in advance of the vote on the motion being taken.

As a result, it was then:

**RESOLVED**

That the public and press be re-admitted to the meeting.

It was then:

**RESOLVED**

1. That the work of the Waste Working Group in guiding the Council's strategic approach to waste services and the progress made in negotiations with the Council's waste contractor (FCC) be recognised;
2. That Council be **RECOMMENDED** to
  - a. agree to terminate the contract by mutual agreement, resulting in the transfer of all services currently provided under the contract back to the Council with effect from 3 October 2022;
  - b. delegate authority to the Head of Paid Service (Chief Executive) and Director of Customer Services Delivery, in consultation with the Leader and Lead Member for Waste and Recycling Services, to:
    - i. conclude the negotiations based on the outline of draft settlement terms set out in Appendix A and to finalise the settlement agreement and any other necessary agreements.
    - ii. formulate and implement a mobilisation plan for the Council's delivery of the service; and
    - iii. keep the Waste Working Group informed on progress.
  - c. transfer the value of the 2021/22 deductions to the sustainable waste management earmarked reserve, as part of the closure of the 2021/22 accounts, in order to contribute to anticipated set up costs of bringing the service back in house as outlined in section 4 of the presented report.
  - d. allocate all additional payments from the waste contractor in 2022/23, to contributing to the anticipated set up costs of bringing the service back in house as outlined in section 4 of the presented report.
  - e. approve the use of the business rate retention reserve to fund the anticipated revenue costs during the transition period as outlined in section 4 of the presented report.
  - f. allocate a budget for one-off set up costs, as outlined in Section 4 of the presented report

3. That it be noted that the Lead Member will bring a further report to the Executive in September 2022 setting out an operational plan designed to stabilise the service and the changes required to reduce the current operating costs in the medium term.
4. That the intention for the Head of Paid Service to make the necessary organisational changes to enable a seamless handover of the service be noted.
5. That that the Section 151 Officer be requested to bring a further report to the Executive in September 2022 on the ongoing revenue costs of delivering the service in-house (after the transitional period) and the impact on the Council's Medium Term Financial Strategy (MTFS).

(Meeting commenced at 9.30 am and concluded at 11.00 am)

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Chairman

***(NOTE: THESE DECISIONS, ARE NOT SUBJECT TO THE CALL-IN PROVISIONS OF THE OVERVIEW AND SCRUTINY PROCEDURE RULES).***





## **PUBLIC QUESTIONS AT EXECUTIVE MEETINGS**

There is a period of 15 minutes at meetings of the Executive during which members of the public can ask questions about items on the agenda.

Any member of the public who wants to ask a question should ensure that the question:

- a) is no more than 50 words in length;
- b) is not be broken down into multiple parts;
- c) relates to an item included on the agenda; and
- d) is suitable to be considered. A question will not be suitable if, for example, it is derogatory to the Council or any third party; relates to a confidential matter; it is about a specific planning matter; or it is substantially the same as a question asked in the past six months.

Questions should be sent to Democratic Services ([Democratic.Services@swdevon.gov.uk](mailto:Democratic.Services@swdevon.gov.uk)) by **1.00pm** on the Monday before the meeting (the deadline will be brought forward by a working day if affected by a bank holiday). This will allow a detailed response to be given at the meeting. If advance notice of the question cannot be given the Chairman of the meeting has the discretion to allow questions on matters that are felt to be urgent;

For any further advice on questions to the Executive, or to request a copy of the full Public Questions Procedure Rules, please contact Democratic Services ([Democratic.Services@swdevon.gov.uk](mailto:Democratic.Services@swdevon.gov.uk))

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# Executive Leader's Forward Plan

## About the Forward Plan

This is the Leader of Council's provisional forward plan for the four months starting September 2022. It provides an indicative date for matters to be considered by the Executive. Where possible, the Executive will keep to the dates shown in the plan. However, it may be necessary for some items to be rescheduled and other items added.

The forward plan is published to publicise consultation dates and enable dialogue between the Executive and all councillors, the public, and other stakeholders. It will also assist the Council's Overview and Scrutiny Committee in planning their contribution to policy development and holding the Executive to account.

Local authorities are required to publish updated forward plans on a regular basis. The Plan is published on the Council's website ([www.southhams.gov.uk](http://www.southhams.gov.uk))

## About the Executive

The Executive consists of six Councillors. Each has responsibility for a particular area of the Council's work.

- Leader of the Council with specific responsibility for Improving Homes / Protecting, Conserving and Enhancing our Built and Natural Environment– Cllr Judy Pearce
- Deputy Leader of the Council with specific responsibility for Stimulating a Thriving Economy – Cllr Hilary Bastone
- Lead Executive Member for Environment – Cllr Keith Baldry
- Lead Executive Member for Health and Wellbeing – Cllr Jonathan Hawkins
- Lead Executive Member for Climate Change and Biodiversity – Cllr Tom Holway
- Lead Executive Member for Council Services – Cllr Nicky Hopwood

Further information on the workings of the Executive, including latest information on agenda items, can be obtained by contacting Democratic Services on 01803 861105 or by e-mail to [democratic.services@swdevon.gov.uk](mailto:democratic.services@swdevon.gov.uk)

**All items listed in this Forward Plan will be discussed in public at the relevant meeting, unless otherwise indicated with \***



## Forward Plan from September 2022

Portfolio Area	Report Title and Summary	Lead Member / Officer	Documents to be considered in making decision	Date of Decision	Consultees and means of consultation
Deputy Leader	<b>Title: 2021/22 Revenue and Capital Outturn</b>  <b>Purpose:</b> To consider a report that presents the final Revenue and Capital Outturn figures for 2021/22.	Cllr Bastone / Pauline Henstock	Report of the Deputy Section 151 Officer	15 September 2022	
Environment	<b>Title: Waste and Recycling Services Update</b>  <b>Purpose:</b> To consider a report that presents a Waste update following the decision of Council on 14 July 2022.	Cllr Baldry / Steve Mullineaux	Report of the Deputy Chief Executive	15 September 2022	
Leader	<b>Title: Medium Term Financial Strategy for the Five Years 2023/24 to 2027/28</b>  <b>Purpose:</b> To consider a report that sets the strategic intention for all of the different strands of funding available to the Council.	Cllr Pearce / Lisa Buckle	Report of the Section 151 Officer	15 September 2022	
Leader	<b>Title: Housing Crisis – Energy Efficiency in Homes</b>  <b>Purpose:</b> To consider a report that sets out a number of grant funding opportunities to improve home energy efficiency.	Cllr Pearce / Dave Sexton	Report of Principal Private Sector Housing Officer	15 September 2022	
Leader	<b>Title: Homes for Ukraine Scheme Update</b>  <b>Purpose:</b> To consider a report that provides the Executive with an update on the 'Homes for Ukraine' Scheme.	Cllr Pearce / Neil Hawke and Issy Blake	Joint report of Head of Strategy and Projects and Head of Housing	15 September 2022	



Portfolio Area	Report Title and Summary	Lead Member / Officer	Documents to be considered in making decision	Date of Decision	Consultees and means of consultation
Council Services	<p><b>Title: Cost of Living Crisis</b></p> <p><b>Purpose:</b> To consider a report that sets out some of the measures that are being undertaken by the Council in response to the Cost of Living Crisis.</p>	Cllr Hopwood / Steve Mullineaux and Neil Hawke	Joint Report of Deputy Chief Executive and Head of Strategy and Projects	15 September 2022	
Deputy Leader	<p><b>Title: Langage Phase 1B: Proposed Compulsory Purchase Order</b></p> <p><b>Purpose:</b> To consider an exempt report that seeks the approval of a Compulsory Purchase Order</p>	Cllr Bastone / Laura Wotton	Report of Head of Assets	15 September 2022	
Leader	<p><b>Title: Housing Crisis – Standing Agenda Item</b></p>	Cllr Pearce / Issy Blake	Report of Head of Housing	13 October 2022	
Health and Wellbeing	<p><b>Title: Partnership Funding</b></p> <p><b>Purpose:</b> To consider a report that presents an update on the Council's Partnership Funding arrangements.</p>	Cllr Hawkins / Neil Hawke	Report of the Head of Strategy and Projects	13 October 2022	
Council Services	<p><b>Title: Customer Access Strategy</b></p> <p><b>Purpose:</b> To consider a report that presents the draft Customer Access Strategy for further consideration.</p>	Cllr Hopwood / Catherine Bowen	Report of Business Manager – Specialists	13 October 2022	
Council	<p><b>Title: Revenue Budget Monitoring Report to Month 5</b></p> <p><b>Purpose:</b> To consider a report that presents the Revenue Budget Monitoring Report to Month 4.</p>	Cllr Bastone / Lisa Buckle	Report of Section 151 Officer	13 October 2022	
Council	<p><b>Title: Capital Programme Monitoring Report to Month 5</b></p>	Cllr Bastone / Pauline Henstock	Report of Head of Finance	13 October 2022	



Portfolio Area	Report Title and Summary	Lead Member / Officer	Documents to be considered in making decision	Date of Decision	Consultees and means of consultation
	<b>Purpose:</b> To consider a report that presents the Capital Programme Monitoring Report to Month 5.				
Council Services	<p><b>Title: Council Tax Rebate Discretionary Scheme</b></p> <p><b>Purpose:</b> To receive a further report that seeks to:</p> <ul style="list-style-type: none"> <li>- Provide an update on the number of households that have received additional financial support through Phase 1 of the Scheme; and</li> <li>- Sets out recommendations for Phase 2.</li> </ul>	Cllr Hopwood / Steve Mullineaux	Report of Deputy Chief Executive	13 October 2022	
Council Services	<p><b>Title: Contact Centre Improvement Plan: Six Month Review</b></p> <p><b>Purpose:</b> To consider a report that presents a six-month progress review on the Contact Centre Improvement Plan</p>	Cllr Hopwood / Steve Mullineaux	Report of Deputy Chief Executive	13 October 2022	
Climate Change	<p><b>Title: Devon Carbon Plan</b></p> <p><b>Purpose:</b> To consider a report that presents the draft Devon Carbon Plan for formal consideration.</p>	Cllr Holway / Drew Powell	Report of Director of Strategy and Governance	13 October 2022	
Leader	<b>Title: Housing Crisis – Standing Agenda Item</b>	Cllr Pearce / Issy Blake	Report of Head of Housing	1 December 2022	
Leader	<p><b>Title: Draft Revenue and Capital Budget Proposals 2023/24</b></p> <p><b>Purpose:</b> To consider a report that presents for consultation a set of draft Revenue and Capital Budget proposals for 2023/24.</p>	Cllr Pearce / Lisa Buckle	Report of Strategic Lead of Finance	1 December 2022	



Portfolio Area	Report Title and Summary	Lead Member / Officer	Documents to be considered in making decision	Date of Decision	Consultees and means of consultation
Deputy Leader	<b>Title: Write-off Reports Q1 and Q2 2022/23</b>  <b>Purpose:</b> The Council is responsible for the collection of: Housing Rents, Sundry Debts including Housing Benefit Overpayments, Council Tax and National Non-Domestic Rates. The report informs Members of the debt written off for these revenue streams.	Cllr Bastone / Lisa Buckle	Report of Strategic Lead of Finance	1 December 2022	
Deputy Leader	<b>Title: Revenue Budget Monitoring Report to Month 7 2022/23</b>  <b>Purpose:</b> To consider a report that presents the Revenue Budget Monitoring Report to Month 7.	Cllr Bastone / Lisa Buckle	Report of Section 151 Officer	1 December 2022	
Deputy Leader	<b>Title: Capital Programme Monitoring Report to Month 7 2022/23</b>  <b>Purpose:</b> To consider a report that presents the Capital Programme Monitoring Report to Month 7.	Cllr Bastone / Pauline Henstock	Report of Head of Finance	1 December 2022	
Leader	<b>Title: Quarter 2 Integrated Performance Management Report 2022/23</b>  <b>Purpose:</b> To consider a report that sets out the Integrated Performance Management report for Quarter 2 of 2022/23.	Cllr Pearce / Neil Hawke	Report of the Head of Strategy and Projects	1 December 2022	
	<b>Title: Housing Crisis – Standing Agenda Item</b>			26 January 2023	
Leader	<b>Title: Draft Revenue and Capital Budget Proposals</b>	Cllr Pearce / Lisa Buckle	Report of the Section 151 Officer	26 January 2023	



Portfolio Area	Report Title and Summary	Lead Member / Officer	Documents to be considered in making decision	Date of Decision	Consultees and means of consultation
	<b>Purpose:</b> To consider a report that seeks to recommend to Council the draft Revenue and Capital Budget proposals.				
Leader	<b>Title: Quarter 3 Integrated Performance Management Report 2022/23</b>  <b>Purpose:</b> To consider a report that sets out the Integrated Performance Management report for Quarter 3 of 2022/23.	Cllr Pearce / Neil Hawke	Report of the Head of Strategy and Projects	26 January 2023	
	<b>Title: Housing Crisis – Standing Agenda Item</b>			2 March 2023	
Deputy Leader	<b>Title: Revenue Budget Monitoring Report to Month 10 2022/23</b>  <b>Purpose:</b> To consider a report that presents the Revenue Budget Monitoring Report to Month 10.	Cllr Bastone / Lisa Buckle	Report of Section 151 Officer	2 March 2023	
Deputy Leader	<b>Title: Capital Programme Monitoring Report to Month 10 2022/23</b>  <b>Purpose:</b> To consider a report that presents the Capital Programme Monitoring Report to Month 10.	Cllr Bastone / Pauline Henstock	Report of Head of Finance	2 March 2023	
Leader	<b>Title: Draft Annual Report of Achievements</b>  <b>Purpose:</b> To consider a report that presents the Council's draft Annual Report of Achievements for 2022/23	Cllr Pearce / Neil Hawke	Report of the Head of Strategy and Projects	2 March 2023	
				13 April 2023	





Portfolio Area	Report Title and Summary	Lead Member / Officer	Documents to be considered in making decision	Date of Decision	Consultees and means of consultation
Leader	<p><b>Title: Planning Improvement Plan – Six Month Progress Review</b></p> <p><b>Purpose:</b> In accordance with the Executive resolution, to consider a six month progress review into the Planning Improvement Plan.</p>	Cllr Pearce / Drew Powell	Report of Director of Strategy and Governance	TBC (6 months following the start of the employ of the Assistant Director)	

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# Agenda Item 7

Report to: **Executive**

Date: **15 September 2022**

Title: **2021/2022 Draft Revenue and Capital Outturn**

Portfolio Area: **Finance and Assets – Cllr H Bastone**

Wards Affected: **All**

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

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

Author: **Pauline Henstock** Role: **Head of Finance Practice and Deputy S.151 Officer**

**Lisa Buckle** **Corporate Director for Strategic Finance (S151 Officer)**

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## **RECOMMENDATION:**

**That the Executive RESOLVES to NOTE the draft Revenue and Capital outturn figures for the 2021/22 financial year including the overall Revenue outturn position of an underspend of £214,000 for 2021/22 (2.2% of the total Budget £9.677 million).**

### **1. Executive summary**

- 1.1 This report provides Members with the draft Revenue and Capital Outturn position for 2021/22 and provides a schedule of the Reserve balances at 31 March 2022.
- 1.2 There was an underspend of £214,000 on the outturn position for 2021/22 (2.2% of the net budget of £9.677m), as shown in the Draft Statement of Accounts for 2021/22 published by the end of July 2022.
- 1.3 In accordance with normal accounting practice, this underspend has gone into Unearmarked Reserves, with a view to it being reinvested in our core services and 'Better Lives for All'. Unearmarked Reserves

have decreased by £66,000 in 2021/22 and total £2.056million at 31 March 2022.

## 2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts (SOA). The accounts usually have to be produced and certified by the Chief Finance Officer by 31 May however the Covid 19 pandemic has triggered amendments to this deadline by extending this to the end of July. Ordinarily the Audited Accounts have to be brought to Audit and Governance Committee by 31 July but for 2021/22 this has been delayed to the end of November.
- 2.2 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 2.3 The statement of accounts and financial records have been closed, balanced and the draft accounts published and are being audited by our external auditors Grant Thornton during July, August and September. If any alterations are required the details will be reported to the Audit and Governance Committee with the external audit accounts report in November. Any impact to revenue or capital resources will be brought to Executive in the Month 7 budget monitoring reports planned for 1 December 2022. The availability of the draft 2021/22 accounts and records for inspection by interested persons have been advertised on our website at <https://www.southhams.gov.uk/annualaccounts>. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 1 August to 12 September 2022.

## 3. Outcomes/outputs

### Revenue Expenditure

- 3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The underspend on the General Fund in 2021/2022 of £214,000 is essentially a break-even position. **The 2021/22 budget was £9.677 million and therefore the saving of £214,000 means that the actual spend was 2.2% less than the budget.** This saving will go into the Council's Unearmarked Reserves which now stand at £2.056 million.
- 3.2 A summary of the main variations from budget in 2021/22 is provided in the table below:

<b>ANALYSIS OF VARIATIONS 2021/22</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>	
<b>Reductions in expenditure/additional income</b>			
Car parking income	(420)	13.3%	A
Planning income	(390)	42.4%	B
Dartmouth Lower Ferry income – this was in part offset by additional costs as shown below in note H	(280)	33.9%	C
Trade Waste	(190)	48.7%	D
Business Rates pooling gain	(174)	139.2%	E
Employment estates income	(160)	18.0%	F
<b>Increases in expenditure/reduction in income</b>			
COVID 19 expenditure	225	-	G
Dartmouth Lower Ferry fleet refurbishment, – offset by additional ferry income as shown above in note A	190	475.0%	H
ICT software and support contracts	90	16.8%	I
Planning Salaries	70	7.6%	J
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service for all properties. The savings from the green waste element of the waste contract reduced the cost of the service overall in 2021/22 and a one-off amount of £200,000 was transferred into a community composting earmarked reserve as shown below in Q.	65	2.5%	K
Investment income	63	31.0%	L
Repairs and maintenance costs	40	6.2%	M
Joint Local Plan contribution	25	-	N
Council Tax Collection income	25	16.1%	O
Other small variances	87		
<b>Add: Transfer of additional planning income into the planning earmarked reserve – Minute CM 81 (Council 31<sup>st</sup> March 2022)</b>	320	-	P
<b>Add: Transfer of a one-off amount of £200,000 into a community composting earmarked reserve.</b> This was aligned to the savings in the green waste element of the waste contract in 2021/22 – Minute CM63 (Council 10 <sup>th</sup> February 2022)	200	-	Q
<b>TOTAL SURPLUS FOR 2021/22</b>	<b>(214)</b>	<b>(2.2%)</b>	

The 2021/22 budget for South Hams was £9.677 million but the actual spend was 2.2% lower, providing an underspend of £214,000 as shown above.

## Notes

- A. **Car parking income** – additional income of £420,000 was received in 2021/22 which represents 13.3% of the annual income target. The additional income is mainly from Bigbury and Salcombe (Boat Park and North Sands) car parks.
- B. **Planning income** – additional income of £390,000 was generated in 2021/22. The Planning Improvement Plan report approved at the Executive meeting on 14<sup>th</sup> October 2021 recommended that part of this additional income is utilised to fund additional staffing costs in planning for 2021/22 (note J – these total £70k). The remaining income of £320,000 has been set aside in the Planning Policy & Major Developments Earmarked Reserve to deal with any future volatility in planning income e.g. due to a reduction in large applications (note P).
- C. **Dartmouth Lower Ferry income** – additional income of £280,000 was received in 2021/22. This equates to 33.9% of the annual income target for Dartmouth Lower Ferry of £827,000.
- D. **Trade Waste** - this mainly relates to savings on tipping fees and extra income on recycling sacks, due to more trade waste being recycled. This also includes additional income from CWR (Controlled Waste Regulation) properties of an extra £20,000.
- E. **Business Rates Pooling gain** – the actual pooling gain for 2021/22 was £299,000, which was £174,000 higher than the estimate of £125,000 (139.2%).
- F. **Employment Estates income** – additional employment estates income of £160,000 was generated in 2021/22 due to high occupancy rates and regular rent reviews.
- G. **COVID-19 expenditure** – One-off items of direct Covid 19 expenditure such as extra housing costs, ICT and remote working, waste, cleaning costs and community support costs. These costs were included on the monthly DELTA Government returns completed.
- H. **Dartmouth Lower Ferry fleet refurbishment** – additional costs in respect of fleet refurbishment, equipment and professional fees were incurred in respect of Dartmouth Lower Ferry in 2021/22 amounting to £190,000. This expenditure was offset by additional ferry income as shown in note C above.
- I. **ICT Support Contracts** - There are additional costs in respect of ICT support contracts mainly due to,
- Above inflation increases, e.g. Microsoft Licensing

- Additional costs for new licenses, laptops and accessories due to an increase in the number of users on our network
  - The acquisition of remote diagnostics software as a result of the increase in remote working
  - Disability Access legislation for the website has required the purchase of tools for monitoring compliance and enhancing access
- J. **Planning salaries** – additional staffing cost within the Development Management Service amounted to £70,000 in 2021/22. This has been met from the additional planning income generated by the service as shown in note B above. At the Executive meeting on 14<sup>th</sup> October 2021 it was recommended to fund four additional planning specialists and two additional lawyers (shared with West Devon) from additional planning income, which was approved by Council.
- K. **Waste and Recycling** – this is due to the delay to the September 2020 go live date for Devon Aligned Service for all properties. Some costs are associated with continuing to supply single use sacks for recycling and the reprocessing of the recyclable materials in the current global market. The savings from the green waste element of the waste contract reduced the cost of the service overall in 2021/22 and a one-off amount of £200,000 was transferred into a community composting earmarked reserve as shown below in note Q.
- L. **Investment income** – due to the historic low interest rates there was a shortfall in investment income in 2021/22 of £63,000. This equates to 31% of the income target.
- M. **Repairs and maintenance costs** – some additional costs in respect of repairs and maintenance were incurred in 2021/22. These amounted to £40,000, 6.2% of the annual budget.
- N. **Joint Local Plan Contribution** – a cost pressure of £25,000 was identified in 2021/22 relating to the Joint Local Plan contribution. There is currently no budget for this. A reserve contribution has been approved in the 2022/23 revenue budget. This has been funded from monies set aside in the JLP Earmarked Reserve in previous years, which has now been depleted.
- O. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates were down by 16.1% in 2021/22.
- P. **Transfer to the Planning Earmarked Reserves** – additional planning income of £320,000 was transferred into the Planning Policy & Major Developments Earmarked Reserve to deal with any future volatility in planning income e.g. due to a reduction in large applications – Minute CM81 (Council 31 March 2022).

- Q. **Transfer to a Community Composting Earmarked Reserve** – this one off contribution of £200,000 was aligned to the savings in the green waste element of the waste contract in 2021/22 – Minute CM63 (Council 10 February 2022).

## Capital Expenditure

3.3 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £3.99 million in 2021/22. The main areas of expenditure were as follows:

- residential renovation grants including disabled facilities grants (£1.1m)
- Batson Harbour Depot/Commercial Units (£1.03m)
- scheduled replacement of plant, vehicles and marine infrastructure (£0.38m)
- Dartmouth Health and Wellbeing Hub (£0.35m)
- St Ann's Chapel housing scheme (£0.33m)
- replacement of audio visual equipment and furniture in the Council Chamber (£0.16m)
- purchase of future IT (£0.12m)
- new play areas (£0.10m)
- Affordable Housing (£0.09m)
- purchase of IT replacement hardware (£0.08m)
- purchase of payroll/HR system (£0.04m)

3.4 **Appendix A** provides a breakdown of Capital expenditure by project for 2021/22 and shows how each scheme has been funded.

3.5 In addition, in 2021/22, there was expenditure of £285,441 on the Ivybridge Regeneration project. At the Executive meeting on 7<sup>th</sup> July 2022 (Minute E.22/22), it was resolved to stop work permanently on the discount food store proposal in Ivybridge. The decision came after the South Hams' Development Management Committee, having considered all of the relevant planning matters, unanimously refused the planning application on 6 July 2022.

3.6 At the Executive meeting it was noted that £483,925 had been invested into the project (this included the £285,441 spent in 2021/22). This expenditure has been financed in the main from the Business Rates Retention Reserve, in accordance with the Council approval in February 2021 which recognised that if the project did not proceed, these would be abortive costs and would



need to be financed from revenue funding rather than capital funding. Therefore the £285,441 is shown in the Net Cost of Services in the 2021/22 Accounts as a revenue cost.

## **Borrowing**

- 3.7 In 2021/22 the long term borrowing of the Council decreased from £14,380,000 (20/21) to £14,284,000. Short term borrowing increased from £94,000 to £96,000. No further external borrowing took place during 2021/22.

## **Revenue Reserves**

- 3.8 The Council maintains both capital and revenue reserves. The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response to both the Covid pandemic and the current cost of living crisis which will have an impact on the Council's finances as well as the finances of the residents of the District. Key to the authority's financial resilience are our reserves, which are at a prudent level.
- 3.9 The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.
- 3.10 The movement in the General Fund Balance (Un-Earmarked Reserves) is summarised below. Unearmarked Reserves have decreased by £66,000 in 2021/22 and total £2.056million as below.

<b>Unearmarked Revenue Reserves</b>	<b>£000</b>
General Fund Balance (Un-Earmarked Revenue Reserve) at 1 April 2021	(2,122)
<b>Surplus for the 2021/22 financial year</b>	<b>(214)</b>
Transfer from the General Fund Balance to the Financial Stability Earmarked Reserve (Council 10 February 2022)	280
General Fund Balance (Un-Earmarked Revenue Reserve) at 31 March 2022	(2,056)

- 3.11 This reflects the underspend from 2021/22 of £214,000 offset by a transfer of £280,000 from the General Fund Balance to the Financial Stability Earmarked Reserve. This is a new reserve set up in 2021/22 as part of the 2022/23 Budget process to be available for any future financial pressures from local government funding reforms and any other budget pressures.

- 3.12 A schedule of Reserves is attached at **Appendix B**, which shows the contributions in and out of each Reserve during the year with both the opening and closing balances for 2021/22.
- 3.13 Earmarked Reserves have reduced by £0.655m in 2021/22 moving from £21.494m on 1 April 2021 to £20.839m at 31 March 2022 as shown below. This follows the application of some of the S31 Business Rates compensation grant received in 2020/21 which was held in the S31 Compensation Grant Business Rates Reserve. The movements in Earmarked Reserves are shown in detail in **Appendix B**.

<b>Earmarked Revenue Reserves</b>	£000
Earmarked Revenue Reserves at 1 April 2021	21,494
Additions to Earmarked Reserves	7,096
Actual Spend of Earmarked Reserves in 2021/22	(7,751)
<b>Earmarked Reserve Reserves at 31 March 2022</b>	<b>20,839</b>

- 3.14 The General Fund reserves (which are made up of the General Fund Balance and Earmarked Reserves) have reduced by £0.721 from the preceding year and stand at £22.895m at 31 March 2022. This is mainly due to the reduction in Earmarked Reserves of £0.655m. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations. The Council undertakes a review of the level of its Earmarked Reserves every year as part of the budget setting process.
- 3.15 The total Earmarked Reserves balance at 31 March 2022 of £20.839m includes £4.26m held in the Business Rates s31 Compensation Grant Reserve.
- 3.16 This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

## Capital Reserves

- 3.17 The Capital Receipts Reserve (which holds capital receipts which can be used to finance capital projects) has a balance of £2.95m as at 31.3.2022. These are capital receipts that are committed to finance capital projects within the Capital Programme.
- 3.18 The Capital Grants Unapplied Reserve has a balance of £504,000 as at 31 March 2022. This is mainly Disabled Facilities Government Grant which will be utilised in 2022/23.

## Savings and Additional Income

- 3.19 In line with budget monitoring updates this outturn report includes a schedule of the savings and additional income that were identified in the 2021/22 budget setting process and provides a year end position, set out in **Appendix C**.
- 3.20 In 2021/22 £249,838 of savings and additional income were achieved compared to the original target of £248,809.

## 4. Collection Fund balance as at 31.3.2022

4.1 The Collection Fund shows the transactions of the Billing Authority in relation to the collection of council tax and business rates from taxpayers and its distribution to local authorities and the Government. The income from Council Tax totalled £83.021m in 2021/22 and business rates receivable totalled £22.865m for 2021/22. This is shown in Section 4 of the Statement of Accounts for 2021/22.

### Collection Fund balance

2020/21 Business Rates £000	2020/21 Council Tax £000		2021/22 Business Rates £000	2021/22 Council Tax £000
(63)	(321)	Fund balance at 1 April	18,106	(28)
18,169	293	Deficit/(surplus) for year	(11,755)	(2,715)
<b>18,106</b>	<b>(28)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>6,351</b>	<b>(2,743)</b>

The balance on the Collection Fund is split between the preceptors as follows:

<b>2020/21 Business Rates £000</b>	<b>2020/21 Council Tax £000</b>		<b>2021/22 Business Rates £000</b>	<b>2021/22 Council Tax £000</b>
9,053	-	Central Government	3,175	-
1,630	(20)	Devon County Council	572	(1,982)
-	(4)	Devon and Cornwall Police	-	(312)
181	(1)	Devon and Somerset Fire Authority	64	(118)
<b>10,864</b>	<b>(25)</b>	<b>Total deficit/(surplus) due to Preceptors</b>	<b>3,811</b>	<b>(2,412)</b>
7,242	(3)	South Hams District Council	2,540	(331)
<b>18,106</b>	<b>(28)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>6,351</b>	<b>(2,743)</b>

## Business Rates

4.2 During 2020/21 and 2021/22 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 could not be discharged against the Collection Fund deficit until 2021/22 onwards. The deficit on the Business Rates Collection Fund as at 31 March 2022 has reduced from £18.1m to £6.4m following release of some of the S31 compensation grant received in 2020/21 to the Collection Fund. The S31 compensation grant will be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

4.3 This deficit is shared between the Preceptors and South Hams District Council as shown in the table above. The Preceptors element of this deficit is reflected in the significant reduction in the Business Rates Debtor as at 31 March 2022 detailed in Note 15 to the Statement of Accounts for 2021/22.

## Council Tax

4.4 Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £28,000 as at 31 March 2021 to £2.74m as at 31 March 2022. The Preceptors element of this surplus (£331,000 for SHDC) is reflected in the significant increase in the Council Tax Creditor as at 31 March 2022 detailed in Note 18 to the Statement of Accounts for 2021/22.

4.5 In the 2022/23 Budget, the Council has budgeted for a £181,000 collection fund surplus share for SHDC, with a further £200,000 being budgeted for 2023/24.

## 5. Proposed Way Forward

5.1 Members are advised that the accounts are being audited by our External Auditors, Grant Thornton during July, August and September 2022. Following the Audit, the Statement of Accounts will be brought back to the Audit and Governance Committee for approval in November. If any alterations are required the details will be reported to the Audit and Governance Committee with the external audit accounts report in November. Any impact to revenue or capital resources will be brought to Executive in the Month 7 budget monitoring reports planned for 1 December 2022.

## 5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.
Financial implications to include reference to value for money	Y	<p>The report provides the draft Revenue and Capital outturn figures for the 2021/22 financial year including the overall Revenue outturn position of an underspend of £214,000 for 2021/22 (2.2% of the total Budget £9.677 million).</p> <p>As part of Grant Thornton’s external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> <li>• Improving economy, efficiency and effectiveness</li> <li>• Financial Sustainability</li> <li>• Governance</li> </ul> <p>The outcome of Grant Thornton’s work in this area will be reported to Members at the Audit and Governance Committee meeting on 24 November 2022.</p>

Risk	Y	<p><b>Public Accountability</b> – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is recognised by statute as representing proper accounting practice.</p> <p><b>Resource Planning</b> – the Council takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.</p>
Supporting Corporate Strategy		The Annual Statement of Accounts supports all of the Thematic Delivery Plans within the Council’s strategic vision, ‘Better Lives for All’.
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
Climate Change – Carbon / Biodiversity Impact		<p>A report was presented to Council on 17<sup>th</sup> December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’. The report set out the proposed allocation of the £400,000 in the Climate Change Earmarked Reserve.</p> <p>A further £200,000 funding for the Climate Change Action Plan was approved by Council on 11<sup>th</sup> February 2021, as part of the 2021/22 Budget.</p> <p>Further detail is set out in the Council’s ‘Better Lives for All’ strategy.</p>
<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 A – Schedule of Capital Programme 2021/22

Appendix B – Schedule of Reserves for 2021/22 (Earmarked and Un-Earmarked)

Appendix C - Summary of Savings and Additional Income 2021/22

**Background Papers:**

None

SOUTH HAMS CAPITAL PROGRAMME												APPENDIX A		
Code	Capital Scheme	Total Approved Budget	Previous Years		Current Year			Future Years		Target Date	Completion Date	Comments	Minute Ref	Funding
			Total Expenditure to 31/03/21	Remaining budget	2021/22 Budget	2021/22 Expenditure to 31/03/22	2021/22 Remaining budget	2022/23 Budget	2023/24 Budget					
<b>Assets Capital Schemes</b>														
S8309	Langage Business Park - construction of new employment units	1,200,000	-	1,200,000	-	-	-	200,000	1,000,000	2023		82/09	S106	
S8262	Market Square, Totnes - renew surface	200,000	-	200,000	-	-	-	-	200,000	2023		E.55/16	Capital Receipts	
S8299	Shadycombe Car Park, Salcombe - Increase capacity	520,000	-	520,000	-	-	-	-	520,000			E.72/18	Borrowing	
S8303	Dartmouth Ferry Workshop	171,816	157,067	14,749	14,749	14,749.16	-	0.16	-	2021		E.60/19	Dartmouth Ferry Reserve/ Capital Programme Contingency Reserve	
S8291	Dartmouth Public Slipway	50,000	34,880	15,120	5,000	1,491.00	3,509	10,120	-	2022		82/09 & E.30/11 & E.68/12	Capital Receipts	
S8310	Ivybridge Churchyard - cemetery expansion	30,000	-	30,000	10,000	4,530.09	5,470	20,000	-	2023		E.64/17	Capital Receipts/S106	
S8314	Sherford - Commercial land acquisition	1,500,000	-	1,500,000	-	-	-	-	1,500,000			E.72/18	Business Rates Retention Earmarked Reserve	
S8293	Dartmouth Health and Wellbeing Hub - Development	4,410,000	119,412	4,290,588	500,000	354,531.69	145,468	3,790,588	-	Aug-22		E.72/18 & E.16/19 & E.60/20	Borrowing	
S8304	Salcombe Harbour - purchase of crane	27,000	22,636	4,364	4,364	4,464.28	(100)	-	-		Jul-21	Reserve Request 13.2.20	Salcombe Harbour General Reserve	
S8312	Cliff House Garden Walls, Salcombe	40,000	-	40,000	-	-	-	40,000	-			E.75/19	Capital Receipts	
S8311	Totnes Skate Park	20,000	-	20,000	-	-	-	20,000	-			E.75/19	Capital Receipts/Capital Programme Reserve	
	Follaton House - refurbishment of roof to old house and replacement	100,000	-	100,000	-	-	-	50,000	50,000	2023		E.60/20	Reserves	
	Follaton House - replacement lifts	30,000	-	30,000	-	-	-	15,000	15,000	2022		E.60/20	Reserves	
	Follaton House - network upgrade and limited initial phase of additional rapid chargers at Follaton House, to facilitate the conversion of the light commercial vehicle fleet to Electric Vehicles.	90,000	-	90,000	-	-	-	90,000	-			E.85/20	Capital Programme Contingency Reserve	
S8319	Follaton House - new Audio Visual System / furniture	160,000	-	160,000	160,000	160,043.24	-	43	-			E.85/20	New Burdens Revenue Funding/Repairs and Maintenance Reserve	
S8245	Whitestrans, Salcombe - replacement of toilets/showers and harbour office	790,000	95,377	694,623	-	-	-	-	694,623	TBA		E.55/16, E.64/17, E.60/19 & E.73/19	Capital Receipts/Capital Programme Reserve (138k)	
S8307	Car Parks - resurfacing - various locations	185,000	-	185,000	-	-	-	185,000	-			E.72/18	NHB Reserve	
S8292	Play Parks (year 3 of 3) - replacement equipment	520,000	238,534	281,466	153,466	104,433.00	49,033	128,000	-	Ongoing		E.75/19	Capital Programme Reserve	
S8217	Coastal Assets	758,325	327,315	431,010	70,000	68,884.40	1,116	361,010	-			E.75/19	Capital Receipts/ Cap Prog Reserve	
	Public Conveniences - replacement of hand washing facilities (wallgates)	10,000	-	10,000	-	-	-	10,000	-	2021		E.75/19	Capital Programme Reserve	
S8211	Batson, Salcombe - Employment Units	1,280,000	78,104	1,201,896	623,340	623,339.96	0	413,556	165,000	2022		E.72/18	Capital receipts (£500k), Borrowing (£780k)	
S8287	Batson, Salcombe - harbour workshop	1,425,000	122,156	1,302,844	410,735	411,559.31	-	824	692,109	200,000		E.75/19	Borrowing £1,225m Marine Infrastructure Reserve £0.2m	
	Totnes Depot - network and rapid charger installation	80,000	-	80,000	-	-	-	80,000	-			E.85/20	Capital Programme Contingency Reserve	
S8274	Urban Tree Challenge Fund	163,088	-	163,088	70,000	62,382.35	7,618	93,088	-	2023			Forestry Commission Grant / Land and Development Reserve / Kingsbridge Town Council	

Code	Capital Scheme	Previous Years		Current Year			Future Years		Target Date	Completion Date	Comments	Minute Ref	Funding
		Total Approved Budget	Total Expenditure to 31/03/21	Remaining budget	2021/22 Budget	2021/22 Expenditure to 31/03/22	2021/22 Remaining budget	2022/23 Budget					
S8324	St Ann's Chapel Housing Scheme	4,200,000	-	4,200,000	350,000	331,609.34	18,391	2,100,000	1,750,000		Approved at full Council on 25th November 2021. In 2021/22, all previous costs on the scheme (development and feasibility costs) were capitalised, as construction started on site. Therefore these costs of £332K, which were originally paid for by the community housing grant, can then be reinvested in future housing pipeline projects to address the housing crisis.		Borrowing £3.6m (£1.4m to come from capital receipts), Affordable Housing Reserve £350k, Homes England Grant £110k, S106 £162,000
<b>TOTAL ASSETS CAPITAL SCHEMES</b>		<b>17,960,229</b>	<b>1,195,482</b>	<b>16,764,747</b>	<b>2,371,654</b>	<b>2,142,017.82</b>	<b>229,636</b>	<b>8,298,470</b>	<b>6,094,623</b>				
<b>Housing Capital Schemes</b>													
S8202	Affordable Housing - Community Led Housing	100,000	75,500	24,500	-	-	-	24,500	-	Ongoing	Funding allocated as need arises	E.05/13	Housing Capital Receipts
S8202	Affordable Housing - Rural Affordable Housing	400,000	321,346	78,654	-	-	-	78,654	-	Ongoing	Funding allocated as need arises	E.05/13	Housing Capital Receipts/ DCC 2nd homes
S8202	Affordable Housing - Existing Stock/Sustainability	100,000	5,000	95,000	-	-	-	95,000	-	Ongoing	Funding allocated as need arises	E.05/13	Housing Capital Receipts
S8202	Affordable Housing - 14/15 - 17/18 (4 years @ £230k pa)	920,000	254,500	665,500	100,000	86,807.83	13,192	565,500	-	Ongoing	Of the £665,500 an amount of £100,000 has been allocated to St Anns Chapel Community Housing Scheme, £40,000 to the set up costs of the Community Benefit Society (CBS - Wholly Owned Company) and £55,400 has been allocated to the Tenants Incentive Scheme.	E.55/16	Affordable Housing Reserve
S8001	Private Sector Renewal Grants (Including Disabled Facilities Grants)	2,895,872	1,058,557	1,837,315	1,200,000	1,114,410.54	85,589	637,315	-	On going		E.75/19 & E.60/20	Better Care Grant
S8004	Green Homes Grant - Installation of 21 external wall insulations and 9 Air source heat pumps for eligible households	1,025,250	-	1,025,250	1,000	-	1,000	1,024,250	-	2022		E.31/20	Green Homes Grant
S8320	Purchase of Affordable Housing	386,000	-	386,000	20,631	20,631.11	0	365,369	-			E.31/20	Capital Receipts
<b>TOTAL HOUSING CAPITAL SCHEMES</b>		<b>5,827,122</b>	<b>1,714,903</b>	<b>4,112,219</b>	<b>1,321,631</b>	<b>1,221,849.48</b>	<b>99,782</b>	<b>2,790,588</b>	<b>0</b>				
<b>IT Capital Schemes</b>													
S8318	ICT Software - replacement payroll and HR software	42,616	-	42,616	42,616	42,615.50	0	-	-		This cost is being shared 50/50 with West Devon Borough Council	E.60/20	Capital Receipts/Support Services Trading Reserve
S8317	Follaton House - replacement of IT hardware	85,000	-	85,000	85,000	82,920.23	2,080	-	-		This cost is being shared 50/50 with West Devon Borough Council	E.60/20	Capital Receipts
	Future IT	150,000	-	150,000	150,000	123,082.55	26,917	-	-		This cost is being shared 50/50 with West Devon Borough Council		RCCO (revenue funding)
<b>TOTAL IT CAPITAL SCHEMES</b>		<b>277,616</b>	<b>-</b>	<b>277,616</b>	<b>277,616</b>	<b>248,618.28</b>	<b>28,997</b>	<b>-</b>	<b>-</b>				
<b>Waste Capital Schemes</b>													
S8200	Waste Fleet Replacement 20/21 - new vehicles for the new recycling service	1,706,035	1,562,524	143,511	143,511	143,511.00	0	-	-		Part of a rolling programme of fleet replacement.	E.75/19 & E.60/20	Vehicle Replacement Reserve
S8200	Waste Fleet Replacement 21/22 (there is an annual contribution of £550k into the Waste Fleet Earmarked Reserve)	550,000	-	550,000	250,000	236,011.40	13,989	300,000	-			E.60/20	Vehicle Replacement Reserve
	New Waste Containers for Devon Aligned Service	695,000	598,560	96,440	-	-	-	96,440	-		Most of the waste containers were delivered in 2020/21	E.75/19 & IE.11/19	Borrowing
<b>TOTAL WASTE CAPITAL SCHEMES</b>		<b>2,951,035</b>	<b>2,161,084</b>	<b>789,951</b>	<b>393,511</b>	<b>379,522.40</b>	<b>13,989</b>	<b>396,440</b>	<b>-</b>				
<b>Other Capital Schemes</b>													
	Contingency for Capital Programme	268,184	-	268,184	-	-	-	268,184	-			E.75/19	Capital Receipts
<b>TOTAL OTHER CAPITAL SCHEMES</b>		<b>268,184</b>	<b>-</b>	<b>268,184</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>268,184</b>	<b>-</b>				
<b>TOTAL CAPITAL PROGRAMME</b>		<b>27,284,185</b>	<b>5,071,468</b>	<b>22,212,717</b>	<b>4,364,412</b>	<b>3,992,007.98</b>	<b>372,404</b>	<b>11,753,682</b>	<b>6,094,623</b>				



RESERVES - BALANCES AT 31 MARCH 2022						APPENDIX B
		Opening balance	Additions to Reserve	Actual Spend	Closing balance	
EARMARKED RESERVES	Cost Centre	01.04.2021	2021/22	2021/22	31.03.2022	Comments
		£000s	£000s	£000s	£000s	
<b>Specific Reserves - General Fund</b>						
Affordable Housing	S0822	(668)		124	(544)	Actual spend relates mainly to Capital Programme expenditure
Beach Safety	S0839	(14)			(14)	
Capital Programme	S0820	(181)	(211)	143	(249)	Actual spend relates to the Capital Programme - Play Areas (£63k) and funds moved to the Repairs & Maintenance Reserve set aside for Follaton House Roof Refurbishment & Lift Replacement (£80k)
Community Composting	S0933	0	(200)		(200)	Council 10/02/22 approved a one off amount of £200k to be transferred into a Community Composting Earmarked Reserve in 2021/22.
Housing Capital Projects	S0854	(194)	(331)	117	(408)	Community Housing schemes
Community Parks and Open Spaces	S0826	(49)	(17)	20	(46)	Spend in 2021/22 mainly relates to play equipment resurfacing (£16k)
COVID-19	S0815	(100)	(381)	272	(209)	This is a new reserve set up in 2020/21 to protect against future COVID losses. The additions relate to the 5th tranche of the COVID-19 LA Support Grant - Executive 28/01/21. Spend relates to the shortfall in leisure management fee income in 2021/22 - Executive 3/3/22.
Dartmouth Ferry Repairs & Renewals	S0830	(428)	(117)	15	(530)	
District Elections	S0838	(10)	(10)		(20)	
Economic Initiatives	S0831	(23)			(23)	
Economic Regeneration (Business Rates pilot gain 2018/19)	S0858	(49)		25	(24)	The spend in 2021/22 relates to £15k for the Tour of Britain and £10k for the Ivybridge Regeneration project (Executive 18th June 2020).
Emergency Climate Change Projects	S0852	(400)	(200)	47	(553)	The set up of this reserve was approved by Executive on 6/2/2020 E74/19, funded by a £400k contribution from the New Homes Bonus Reserve. A further £200k has been contributed to this reserve this year as part of the 2021/22 Budget to support the Climate Change Action Plan. Funding was identified from The Business Rates Retention Reserve, New Homes Bonus and withdrawing the 2021/22 contribution to the Planning Earmarked Reserve. The 2021/22 spend mainly relates to the Climate Change & Biodiversity Locality Fund (£35k)
Environmental Health Initiatives	S0857	(20)			(20)	
Financial Stability	S0868	0	(280)		(280)	Council 10/02/22 approved for £280k to be transferred from unearmarked reserves to a Financial Stability Earmarked Reserve, to be available for any future financial pressures from future local government funding reforms and any other budget pressures.
Grounds Maintenance	S0901	(104)	(75)	30	(149)	A new reserve set up in 2020/21 to hold the Grounds Maintenance in year surpluses to be reinvested back into the service (Executive 18/6/20). In 2021/22 £30k of funding was moved to the new Tree Maintenance Earmarked Reserve. This relates to the 2020/21 tree maintenance surplus of £29,650. Additions to this reserve in 2021/22 relate to the Grounds Maintenance surplus of £74,655
Homelessness Prevention	S0851	(166)	(90)	22	(234)	This reserve has been created following underspends on Homelessness Prevention Costs
ICT Development	S0836	(82)	(50)	43	(89)	Spend in 2021/22 includes the Northgate Remote DBA Service (£21.5k)
Land and Development	S0829	(104)	(37)	69	(72)	The spend mainly relates to match funding towards the Urban Tree Programme (£62k).
Leisure Services	S0858	(51)		10	(41)	
Maintenance Fund	S0927	0	(78)		(78)	This is a new reserve set up in 2021/22 to hold service charge income. In addition £30k of the Follaton House vaccination centre income was transferred to this reserve in 2021/22
Maintenance, Management and Risk Management Reserve (MMRM)	S0861	(37)	(29)		(66)	This reserve was set up in 2019/20 to manage the ongoing maintenance costs of the Council's Investment Property. The contributions to the reserve equate to 10% of the rental income
Marine Infrastructure	S0828	(326)	(58)	200	(184)	The spend of £200k relates to the 2021/22 contribution towards the Harbour Depot, Batson Creek, Salcombe E.74/20
Members Sustainable Community Locality	S0846	(35)	(14)		(49)	This reserve holds the unspent balances.
New Homes Bonus	S0804	(1,803)	(1,068)	954	(1,917)	The NHB allocation for 21/22 is £1,068m. Spend in 2021/22 includes £746k contribution to the base revenue budget and £200k towards the Recovery and Renewal Plan and Climate Change Action Plan approved as part of the 21/22 Budget (Council 11/2/21).
On-Street Parking	S0834	(44)			(44)	
Pay & Display Equipment Renewals	S0833	(165)	(21)		(186)	This reserve provides for the periodic replacement of Pay & Display machines.
Pension Fund Strain Payments	S0810	(109)	(99)		(208)	This reserve is used to fund pension strain costs
Planning Policy & Major Developments	S0840	(217)	(370)	56	(531)	This reserve is for all planning matters and is also required to meet appeal costs. The additions in 2021/22 include £320,000 of additional planning income - Executive 3/3/22. The budgeted contribution of £50,000 in 2021/22 was reassigned to part fund the creation of the Recovery & Renewals Plan Earmarked reserve
Recovery and Renewal Plan	S0864	0	(500)		(500)	This is a new reserve set up as part of the 2021/22 Budget to support the costs of the Recovery and Renewal Plan. The £500k contribution is funded by reassigning the proposed contribution to the Planning Earmarked Reserve in 2021/22 (£50k) and a transfer from the Business Rates Retention Earmarked Reserve (£450k) - Council 11/2/21
Repairs & Maintenance	S0827	(231)	(173)	30	(374)	The £30k spend in 2021/22 relates to the cost of the Audio/Visual equipment for the Council Chamber. The additions to the reserve include the budgeted contribution of £80k and the £80k transferred from the Capital Programme in 2021/22 to be set aside for the Follaton House Roof Refurbishment and Lift Replacement

Revenue Grants	S0821	(1,101)	(894)	270	(1,725)	This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes. The 2021/22 spend includes £130k for the new Audio Visual system in the Council Chamber. This will be funded from the Government new burdens funding received for the administration of Business Grants which was transferred to this reserve in 2020/21. The additions in 2021/22 amounting to £894k relates mainly to the Local Council Tax Support Scheme (£131k), New Burdens COVID-19 Admin Support Grant (£236k) and other COVID-19 funding including the Clinically Extremely Vulnerable Fund (£115k) and the COVID-19 Hardship Fund (£103k). It is anticipated that a significant amount of these grants will be applied in 2022/23.
Salary Savings	S0863	(120)		120	0	This reserve was set up to hold salary savings from 2020/21 to be ringfenced to support salary costs in 2021/22. (Executive 11/3/21). Some work had to be postponed in 2020/21 due to the extra work pressures of the pandemic and this work will need to be carried out in 2021/22 to maintain and enhance service delivery and address recommendations from internal audit reports. The use of this reserve in 2021/22 was approved by Council on 10 February 2022
Section 106 Deposits	S0842	(38)			(38)	This reserve comprises of deposits with no repayment conditions - created as a result of IFRS
Section 106 Monitoring	S0929	(149)	(29)	20	(158)	This reserve funds the cost of an officer to oversee the administration of S106 deposits and how they are spent
Section 106 Technical Support	S0862	(34)		20	(14)	To meet the salary costs of a S106 technical support officer.
Support Services Trading	S0856	(72)	(30)	27	(75)	This reserve was created from external work carried out in other Councils e.g. HR work with Councils also embarking on a Transformation Programme. Spend in 2021/22 relates to the additional implementation costs associated with the introduction of the new payroll system
Sustainable Waste Management	S0837	(246)	(899)	80	(1,065)	This reserve was created for one-off waste management costs. Due to the delay in the implementation of the Devon Aligned Service an underspend of £80,000 was transferred to the Sustainable Waste Management reserve in 2020/21 to reflect the fact that the majority of the implementation costs will now be in 2021/22 rather than 2020/21 due to the pandemic (Executive 11/3/21), this funding has been utilised in 2021/22 (Council 10/2/22). This reserve contains the additional income from increased recycling credits and dry recycling income and it also holds the value of the 2021/22 contractual performance deductions. This will contribute to the anticipated set up costs of bringing the service back in house in October 2022 and capital outlay.
Tree Maintenance	S0934	0	(60)		(60)	A new reserve set up in 2021/22 to hold in year surpluses generated to reinvest back into the Tree maintenance service. The £60k additions relate to the 2021/22 surplus of £30,000 plus the 2020/21 surplus of £29,650 transferred from the Grounds Maintenance reserve
Vehicles & Plant Renewals	S0832	(143)	(550)	417	(276)	Earmarked for the Fleet Replacement Programme. An annual contribution of £550k is made to this reserve.
<b>Specific Reserves - Salcombe Harbour</b>						
Pontoons	S0843	(227)	(65)		(292)	
Renewals	S0844	(169)	(40)	17	(192)	
Revenue Account Reserve	S0845	(199)	(120)	23	(296)	Additions to this reserve relate to the Salcombe Harbour trading surplus generated in 2021/22 of £119,526
<b>Sub Total excluding the Business Rates Reserves</b>		<b>(8,108)</b>	<b>(7,096)</b>	<b>3,171</b>	<b>(12,033)</b>	
Business Rates Retention	S0824	(7,103)		2,557	(4,546)	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, a contribution of £1.82m was required in 2021/22 to offset the Business Rates deficit. In addition £450k was used as funding for the Recovery & Renewal Plan and Climate Change Action Plan and £275k was used to fund the Ivybridge Regeneration project costs - Council 11/2/21. At Council on 14 July 2022, Members approved the use of £3million of this reserve, to fund the additional costs during the transitional phase of bringing the waste service back in house.
S.31 Compensation Grant (Business Rates)	S0866	(6,283)		2,023	(4,260)	This is a new reserve set up to hold the business rates S31 grants received in 2020/21 and 2021/22 to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received will not be discharged against the Collection Fund deficit until the following year. In 2021/22 £2.023m of S31 grant was applied to the Collection Fund to smooth the impact of the business rates deficit. This reserve is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
<b>TOTAL EARMARKED RESERVES</b>		<b>(21,494)</b>	<b>(7,096)</b>	<b>7,751</b>	<b>(20,839)</b>	
<b>TOTAL UNEARMARKED RESERVES (General Fund Balance)</b>		<b>(2,122)</b>	<b>(214)</b>	<b>280</b>	<b>(2,056)</b>	This Unearmarked Reserve has a minimum balance of £1.5million and an operating level of £2 million (set by Members as part of the budget process). The surplus for 2021/22 of £214k has been credited to this reserve. The £280k spend relates to the transfer to the new Financial Stability Earmarked Reserve - Council 10/2/22
<b>TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)</b>		<b>(23,616)</b>	<b>(7,310)</b>	<b>8,031</b>	<b>(22,895)</b>	

Summary of Savings and Additional Income from the 2021/22 Budget Setting Process

APPENDIX C

The table below summarises the savings and additional income that were included in the 2021/22 Budget Setting process and indicates whether the saving/additional income were achieved in 2021/22

	Savings and Additional Income for the 2021/22 Budget	Income/Savings Target for 2021/22 (£)	Outturn for 2021/22 (£)	Narrative
1	Procurement of waste collection, recycling and cleansing contract	129,672	-	Council in December 2018 awarded a 8 year contract for Waste, Recycling and Cleansing Services to FCC, commencing on 1st April 2019. The annual saving from the outsourced contract from 19/20 onwards was £286,000 and this increased to over £400,000 per annum on commencement of the Devon Aligned Service. As per recent reports to the Executive and Council, some properties have moved across to the Devon Aligned Service but not all properties. In July 2022, Council have made the decision to bring the waste and recycling service back in house from 3 October 2022.
2	Public Conveniences - Pay on Entry, contributions and transfer to Parish Council/ closure 1.9.2019 where agreement has not been reached for transfer - Includes rate relief from 2021.	54,537	37,338	Legislation has been enacted so that Public Conveniences no longer have to pay Business Rates, a saving of £37,338 was achieved in 2021/22.
3	Council Tax E-Billing	2,100	-	The aim is to offer an e-billing service to Council Tax payers and this is a project which is currently being progressed.
4	Council Tax Support Grant - reduction by 50% per annum over two years	37,000	37,000	All Town and Parish Councils were notified of this reduction in grant as part of their 2021/22 precept setting process.
5	Employment Estates income	10,000	160,000	Additional income of £160,000 was generated in 2021/22.
6	Cancellation of the IEG4 Contract & implementation of the Northgate Citizen access portal	12,000	12,000	Although this specific saving was achieved, ICT software and support contracts were overspent in 2021/22 by £90,000 (16.8% of budget)
7	Income from review of fees and charges			
	Boat storage charges	2,000	2,000	This additional income was generated in 2021/22
	Street Naming and Numbering	1,500	1,500	This additional income was generated in 2021/22
	<b>TOTAL</b>	<b>£248,809</b>	<b>£249,838</b>	

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# Agenda Item 8

Report to: **Executive**

Date: **15<sup>th</sup> September 2022**

Title: **Waste and Recycling Services Update**

Portfolio Area: **Leader – Cllr Pearce**  
**Lead Member for waste and recycling services – Cllr Baldry**

Wards Affected: **All**

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

Date next steps can be taken: **26 September 2022**

Author: **Andy Bates** Role: **Head of Paid Service / Chief Executive**

**Steve Mullineaux** **Director, Customer Service Delivery**

Contact: **Email: [Steve.mullineaux@swdevon.gov.uk](mailto:Steve.mullineaux@swdevon.gov.uk)**

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## **RECOMMENDATIONS:**

**That the Waste Working Group RECOMMENDS the Executive to:**

- 1. Endorse the actions being taken by the project team to ensure a safe transfer of the service on 03 October 2022;**
- 2. Endorse the approach to the service transition phase;**
- 3. Consider the information in section 5 of the report regarding the garden waste collection service and recommend to Council to implement a chargeable garden waste service from March 2023.**

**That the Executive RESOLVES to:**

- 4. Requests that a further report be brought back to the December Executive on the progress of the transition period and the costs incurred to date on the service transfer;**
- 5. Notes the organisational changes made by the Head of Paid Service and endorse the further changes required to ensure that the Waste and Operations team and the wider organisation, has the capacity and skills required to deliver the Council's key services and corporate priorities.**

- 6. Approves the use of the £120,000 from the Revenue Grants Earmarked Reserve to fund the Council's share of the 2-year fixed term senior role outlined in paragraph 6.3.2**

**That the Executive RECOMMENDS to Council:**

- 7. To end the current free non-statutory Garden Waste collection service from Monday 31 October to ensure that there are sufficient resources and capacity to deliver the statutory waste and recycling collections services; and**
- 8. To introduce a chargeable, fortnightly Garden Waste collection from early spring 2023 at a charge of £49 per bin per household subscription.**

## **1. Executive summary**

- 1.1 This report follows the recommendations and decisions taken by the Executive on 12 July 2022 (minute E.27/22 refers).
- 1.2 A further meeting of the Council's cross-party Waste Working Group on 25 August 2022 reviewed progress on the service transfer and evaluated the information presented by officers.
- 1.3 In considering the options, the Waste Working Group has been clear that the service provided to residents:
- i. Does not deteriorate further
  - ii. That any service change results in minimum disruption to residents
  - iii. That the existing workforce is reassured over the change in management and control.
  - iv. Enables the Council to deliver a consistent collection service following transfer as soon as possible.
  - v. Improve the service and increase recycling rates in the South Hams.
- 1.4 Section 4 of the report explains the significant work that the project team are undertaking to ensure a safe transfer of the service. It should be noted that the outgoing contractor is fully supporting the transition.
- 1.5 Section 5 considers the options for reducing the overall cost pressures by charging for a garden waste collection service.
- 1.6 Section 6 explains the organisational changes that are being made to ensure the Council has the skills and capacity to deliver its key services and corporate priorities.
- 1.7 The financial implications are summarised in this report. There is a separate report on the Executive agenda on the Medium-Term Financial Strategy (MTFS).

## **2. Background**

- 2.1. At its meeting on 12 July 2022, the Executive agreed and recommended to Council that the Council: (Minute E.27/22 refers)
- a. agrees to terminate the contract by mutual agreement, resulting in the transfer of all services currently provided under the contract back to the Council with effect from 3 October 2022;
  - b. delegates authority to the Head of Paid Service (Chief Executive) and Director of Customer Services Delivery, in consultation with the Leader and Lead Member for waste and recycling services, to:
    - i. conclude the negotiations based on the outline of draft settlement terms set out in Appendix A of the report to finalise the settlement agreement and any other necessary agreements.
    - ii. to formulate and implement a mobilisation plan for the Council's delivery of the service; and
    - iii. keep the Waste Working Group informed on progress.
  - c. transfers the value of the 2021/22 deductions to the sustainable waste management earmarked reserve, as part of the closure of the 2021/22 accounts, in order to contribute to anticipated set up costs of bringing the service back in house as outlined in section 4 of the report.
  - d. allocates all additional payments from the waste contractor in 2022/23, to contributing to the anticipated set up costs of bringing the service back in house as outlined in section 4 of the report.
  - e. approves the use of the business rate retention reserve to fund the anticipated revenue costs during the transition period as outlined in section 4 of the report.
  - f. allocates a budget for one-off set up costs, as outlined in Section 4
- 2.2. Council subsequently approved these recommendations at its meeting on 14 July 2022.
- 2.3. At the meeting on 12 July 2022, the Executive noted that the Lead Member would bring a further report to the Executive in September 2022 setting out an operational plan designed to stabilise the service and the changes required to reduce the current operating costs in the medium term.
- 2.4. The Executive noted the intention for the Head of Paid Service to make the necessary organisational changes to enable a seamless handover of the service.

- 2.5. At the same meeting, the Executive requested the Section 151 Officer to bring a further report to the Executive in September 2022 on the ongoing revenue costs of delivering the service in-house (after the transitional period) and the impact on the Council's MTFS.
- 2.6. The Council has now formally agreed the Heads of Terms agreement and the Director, Customer Service Delivery and Head of Paid Service are working with the contractor on finalising the deed of variation and settlement agreement.
- 2.7. The service will transfer back to the Council on Monday 03 October 2022.
- 2.8. The key priorities are:
  - a. The safe transfer from FCC to the Council on day one.
  - b. A period of stabilisation to ensure that residents receive a reliable service. (Known as the transitional period of up to 9 months)
  - c. To improve recycling collections within the District. (Known as the improvement phase which will last up to 18 months).
- 2.9. The Council has recruited a dedicated project manager and has a project team covering all aspects of the project including internal and external expertise in waste and fleet management, IT, health and safety, HR, assets and finance. The Project team report to the Council's senior leadership team (SLT) on weekly basis.
- 2.10. Some members will be aware that in September 2017, the Council received a presentation to consider the introduction of a charged for garden waste service as part of the plans to align waste services across Devon (all but one of the other Districts having already introduced charged for services) but at that time decided not to bring forward a formal proposal. As a result, residents within the District have continued to receive a free service whilst other Districts in Devon have been operating a paid for service.

### **3. Service Transfer**

- 3.1 As stated in paragraph 2.4 the key priority of the service transfer is to ensure that the Council can meet its statutory obligations, ensuring the service is operating safely and securely for the benefit of residents and staff.
- 3.2 Members and indeed the public need to recognise that service disruption will continue, there will be no overnight fix of all the service problems. The Council will inherit the same issues that the contractor has experienced for over 18 months, particularly around availability and retention of suitably qualified drivers and staff. Whilst incidents of criticism of the workforce have been



low, the significant press, social media and Council debate on the issues will have no doubt have left a proportion of the workforce demoralised and disenfranchised.

- 3.3 Engaging with the workforce and rebuilding their trust and confidence in the council is equally important as the priorities stated in paragraph 3.1.
- 3.4 To ensure this, the Council is working closely with FCC across all aspects of the transition covering the following main areas:
  - a. TUPE transfer and retention of the current FCC workforce
    - i. Initial introductory meetings with the Council management team took place on 23 August 2022.
    - ii. The Council has provided FCC staff with an email address, text and whatsapp number to enable the staff to ask any questions.
    - iii. An all-staff welcome meeting is arranged for Saturday 17 September 2022.
    - iv. FCC staff have received a pay award for 2022/23. The Council has been liaising with our neighbouring LA's (Local Authorities) and is reviewing pay rates, terms and conditions to ensure that we can offer a package comparable with other LA's to ensure that we retain staff on day 1.
    - v. Compiling a staff charter i.e. we will do 'xxxx', we expect you to do 'yyyy'.
    - vi. Identifying and putting in place contracts with the temporary staffing agencies to ensure the continuity of employment of any agency staff currently employed by FCC.
  - b. Health and safety
    - i. The Council is reviewing all the existing risk assessments and is preparing revised Safe Operating Procedures to help ensure smooth and safe transition of the service.
    - ii. New Personal Protection Equipment (PPE) has been procured and all transferred staff will have PPE with the South Hams logo on day 1.
  - c. Seeking the regulatory licences required to operate the services. These include:
    - i. Transport operator licence
    - ii. Transfer of environmental permits
    - iii. Insurance
  - d. IT systems, infrastructure and data
    - i. We have successfully procured the same IT systems currently used including the back office and customer portal systems.

- ii. New equipment to continue vehicle tracking and fleet management and the associated software
  - iii. Mobile phones and the IT and connections required for both depots
  - iv. A data cleanse of all the collection round data is being carried out by the team.
- e. Transport, fleet and infrastructure
  - i. The Road Haulage Association will carry out an independent vehicle condition inspection and any repairs required will, where possible, be completed before the service transfer by FCC or funding provided by FCC.
  - ii. Work is underway to ensure that enough lease vehicles are available to continue the operation on service transfer.
  - iii. The Councils Asset's team will be carrying out a joint inspection of both Depots. FCC will carry out or fund any repairs required.
  - iv. Work is underway with FCC and the landowner to reassign the lease of the additional land at Ivybridge that is used for parking some of the waste collection fleet.
- f. 3<sup>rd</sup> party supplier contracts. The team have been evaluating and procuring suppliers required to operate the service. Some examples of these are shown below :
  - i. Recyclate haulage
  - ii. Fuel
  - iii. Fleet maintenance and tyres
  - iv. Fire Prevention and alarms
  - v. Consumables such as toilet cleaning materials
  - vi. Utilities
- g. Communications. The project team are developing a clear and simple communications plan that will explain to households, town and parish councils, Members, staff and the incoming FCC staff, the Council's transition plan. This will involve all media streams and include frequently ask questions..

#### **4. Transition plan**

- 4.1. Over the last 18 months service performance has been consistently below the standards set out within the contract and the contractor has incurred significant additional costs. The Council is aware of significant monthly expenditure above the budgeted costs. Predominantly these costs are made up of:
  - additional resources (staffing and vehicles)
  - inflationary costs (fuel and wages)
- 4.2. When the service transfers back on 03 October 2022, the Council will inherit all these additional operating costs. In July

2022, Executive and Council agreed to fund these costs from reserves during a transition period of 9 months.

- 4.3. The key goals of the transition phase are to:
  - Improve the consistency of the service
  - Improve the efficiency of the service
  - Reduce the operating costs of the service
  - Improve the overall resilience of the service
- 4.4. To achieve this the Council is reviewing the existing data and has commissioned a round review through a specialist provider, Integrated Skills. During September they will model a range of options that will be assessed against the goals outlined above.
- 4.5. To complement this work and utilise local knowledge, officers have started to and continue to engage with Members, and have contacted Town and Parish Councils to collate known problems such as consistent missed areas, multiple rounds in the same areas etc.
- 4.6. It is anticipated that both pieces of work will be completed by the end of the first week of October, enabling the engagement of the drivers and crews to input their operational knowledge.
- 4.7. It is anticipated that any changes to the collection rounds will be made during the first 3 weeks of November. This will allow for any communication to affected residents.
- 4.8. Whilst it will be extremely unlikely that any whole district round changes will occur at this point, there will be options for incremental improvements that can be planned, communicated and implemented between day 1 and the summer of 2023.
- 4.9. Throughout the summer, FCC have been unable to deliver a consistent and reliable non-statutory garden waste collection service due to significant resource constraints, in particular HGV and LGV driver shortages. The Council will inherit these same constraints on 03 October. It is imperative that the Council can maintain a safe and reliable statutory service (residual, recycling & clinical waste collections) at this time.
- 4.10. To enable to achieve the actions set out in paragraphs 4.2 to 4.9 it is recommended that the non-statutory garden waste collection service is ceased from 31 October 2022.
- 4.11. Officers will be exploring a whole range of other options to improve the efficiency of the overall service, including:
  - a separate food waste collection
  - alternative arrangements for extremely rural areas
  - alternatives for the Devon Aligned Service (DAS) where it is operational effective and/or the costs are excessive
  - 3 weekly collections

4.12. The Council will be reviewing its policies in relation to the service. It is important that the service should operate under the following guiding principles:

For the Resident that means

- Clear and consistent
- Equitable and fair

For the Council that means

- Affordable and efficient

## **5. Garden Waste Options**

### **5.1. Current Position**

5.1.1. The Government intends to introduce changes through the Environment Act which will have a bearing on the range of materials which Councils will be required to collect, the timing of the introduction of which, will have operational and financial implications for the Council.

5.1.2. Residents have experienced significant disruption to garden waste collections over recent months due to driver shortages and most residents have only received a collection every 4 or even 6 weeks since the reintroduction of the garden waste collection service on 28 March 2022. Currently the contractor is maintaining a 4-weekly service for the majority of residents.

5.1.3. Several other Councils have stopped garden waste collections, including Plymouth City Council, where the decision has been taken to suspend garden waste services with immediate effect, citing in-year financial pressures as the reason.

5.1.4. When the Council takes control of the service on 03 October, it will not be possible to improve on this and as a discretionary service it is likely that it will suffer further disruption over the next few months as the Council looks to improve the statutory services.

5.1.5. The Council's expert independent technical advisors have recommended the suspension of the garden waste collection service on transfer, to provide greater resilience to the core statutory waste and recycling service.

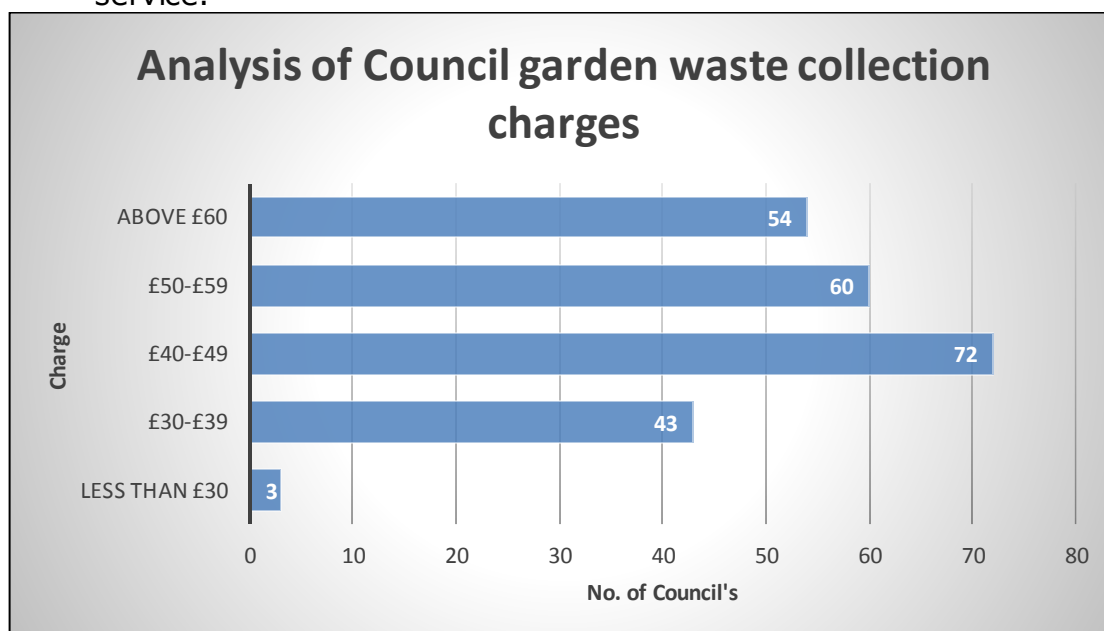
### **5.2. Future Arrangements**

5.2.1. In July 2022, during the debate in the Executive and Council meetings, Members agreed to a fundamental review of the discretionary garden waste service and indicated their support in principle for a paid for garden waste collection service (in line with other Devon authorities).

5.2.2. The table below shows the current year (2022/2023) subscription costs and the take up of services in Devon.

Council	Service offered	Cost	% take up
East Devon	11 month Fortnightly (Not over Christmas)	£48 per bin	25-30%
Exeter	11 month Fortnightly (Not over Christmas)	Up to £51.50	61%
Mid Devon	12 month Fortnightly	Up to £50	32%
North Devon	Fortnightly (Feb to Nov) Monthly (Dec & Jan)	£45 per bin	55%
Teignbridge	11 month Fortnightly (Not over Christmas)	£50 per bin	37%
Torridge	11 month Fortnightly (Not over Christmas)	£45 per bin	34%
West Devon	11 month Fortnightly (Not over Christmas)	£40 for 4 sacks	24%

5.2.3. The table below shows the analysis of the charges Councils apply across the country for a garden waste collection service.



Source [www.local.gov.uk](http://www.local.gov.uk) (where Councils have provided this information). It should be noted that these are the current year (2022-2023) charges and do not reflect the increasing inflationary costs such as fuel and wages.

5.2.4. The waste hierarchy states that we should all

- Reduce

- Reuse
- Recycle

5.2.5. The Council's overall aims align with the above waste hierarchy and we want to encourage households and businesses to reduce residual waste and increase recycling. However, the collection and disposal of all waste streams waste has significant environmental impacts and residents are unable to influence these for residual and recycling waste streams due to the treatment and processing of this waste.

5.2.6. The Waste Framework Directive sets out the basic principles and definitions relating to waste management. The Directive lays down some basic principles, one of which is the 'proximity principle', which suggests that waste should generally be disposed of as near to its place of origin as possible. This principle also involves recognition that the transportation of wastes can have a significant environmental impact.

5.2.7. Residents and the Council can make a significant reduction by home composting or using community composting facilities.

5.2.8. The environmental impact of collecting garden waste is estimated (based on 2020-21 fuel usage data) as being between 120 and 150 tonnes of CO2 emissions and represents approximately 2-3% of the Council's carbon emissions.

5.2.9. In March 2022, the Executive and Council approved the creation of a community composting scheme with funding of £200,000 to enable the creation of additional community composting groups. Officers will continue to promote the take up of these services.

5.2.10. Charging for a garden waste collection service will enable Residents to choose how they dispose of their garden waste:

<b>Option</b>	<b>Environmental impact</b>	<b>Cost to Resident</b>
Home composting	None	None
Disposal at a community composting site	Limited	Limited - travel costs to local composting site
Disposal at a recycling centre	Some	Travel costs to recycling centre
Collection by South Hams District Council	High	Approximately £2 per collection (based on a biweekly collection)

Collection by independent contractor	High	£10 - £20 per collection
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5.2.11. The benefits of a chargeable garden waste collection service include:

- Reduces the overall environmental impact
- Reduced cost to the Council of providing a non-statutory discretionary service
- Residents have a choice - only those that want the service pay for it. i.e. reduced cross subsidisation by council tax payers
- With limited availability of HGV drivers, it enables the Council to prioritise statutory services (residual, recycling, street cleaning services)
- Manage resources effectively – we only collect only where needed

5.2.12. Based on the information in paragraphs 5.2.2 and 5.2.3 it would be reasonable to assume that a fortnightly service operating for 11 months per year (with a break from mid-December to mid-January), would result in 25-30% of households opting to take up the service. Based on a charge of £49 per bin per household this would contribute £563,000-£676,000 to the costs of running the service.

5.2.13. The only other viable option to enable the Council to meet the budget pressures is to discontinue the service.

## **6. Impact on wider Council resources**

6.1. As set out in the previous reports to Executive (12 July 2022) and Council (14 July 2022) (paragraph 3.9 of the reports refers), bringing the service under the Council's direct control will have wide ranging implications across the Council which have necessitated a number of organisational changes these include:

- The appointment of an Assistant Director to lead the Council's strategy, people management, organisational development and communications services.
- Realigning Directors' responsibilities including for Environmental Health and HR

6.2. With the transfer of the waste service, further changes are now required to strengthen management, leadership and capacity within the Service Delivery Directorate.

6.3. Whilst the TUPE data is not yet finalised it is anticipated that over 150 staff will transfer from the contractor to the Council, increasing the total staffing establishment by over 40%. Prior to the outsourcing of the service, a Director had the sole responsibility for the waste and street cleansing services. Rather

than increase the number of directors in SLT, it is proposed that:

- 6.3.1. The role of Head of Waste (reporting to the Director, Customer Service Delivery) is upgraded to Assistant Director, Waste and Operations with responsibility for all front-line services including: Localities, Toilets, Carparking, Grounds and Property Maintenance. This will provide management oversight and a single focus on all waste and street scene services. There will be a realignment of roles within this area.
- 6.3.2. In addition, to drive improved customer service and operational efficiency, we need to exploit technology to continue to modernise the way in which we work and to reduce our operating costs. We plan to do this by putting in place a temporary 2-year fixed term senior role. This will be funded from the Revenue Grant Earmarked reserve at a total one-off cost of £120,000.
- 6.4. The organisational changes set out above will be achieved without increasing the overall size of the existing senior management structure.

## **7. Financial Implications of bringing the waste service back in-house**

- 7.1. At Council on 14 July 2022, it was agreed that the Section 151 Officer would bring a report to Council in September 2022 on the ongoing revenue costs of delivering the service in-house (after the transitional period and the impact on the Council's MTFS).
- 7.2. Based on the advice from our technical advisor, it is anticipated that the on-going revenue costs of delivering the service will be in the region of £1.25m per annum higher than the current budgeted contracted cost. This figure was stated in the Executive report of 12 July 2022 and this is still the best estimate of what the additional cost will be once in steady state and the new rounds have bedded down. Therefore, an annual cost pressure of £1.25m has been built into the MTFS for 2023/24 onwards. As the Council is taking the service back in October 2022, the increased cost in 2022/23 will be reported as part of the overall budget monitoring report for 2022/23.
- 7.3. The MTFS sets out that after building in this extra cost pressure of £1.25m per year for waste, the budget gap for 2023/24 is projected to be £374,616 which is 3.3% of the projected Net Budget of the Council of £11.47m for 2023/24. The Council is awaiting details of a government technical consultation on the principles of a two-year finance settlement which will give more clarity and assurance on the assumptions within the MTFS.



- 7.4. During the transitional phase of the first nine months (October 2022 to June 2023), it is anticipated that current operating costs will be £350,000 per higher than the current contract costs. In July 2022, Members approved the use of £3million of the business rates retention reserve, to fund the anticipated transitional costs of bringing the service back in house. The £3million has been calculated as being 9 months (transitional phase) at an additional £350,000 per month.
- 7.5. Officers estimated that one-off set-up costs will be between £1.25m - £1.5m, these costs include:
- Project management, temporary additional staffing and backfilling within the current establishment.
  - External technical consultants e.g. to re-design the collection rounds
  - Legal costs in relation to the agreement with FCC
  - External one-off costs i.e. IT, PPE,
  - Additional vehicles (to be determined), alongside a comprehensive vehicle forward plan
- 7.6. The one-off set up costs will be financed from a contribution from the contractor towards the Council's set up costs and funding in the Council's Waste Earmarked Reserve which has a current balance of £1.065 million at 31 March 2022. This Earmarked Reserve contains the additional income from increased recycling credits and dry recycling income and it also holds the value of the 2021/22 contractual performance deductions, in order to contribute to the anticipated set up costs of bringing the service back in house in October 2022 and capital outlay.

## **8. Next Steps**

- 8.1. As per paragraph 4.10, Executive is asked to recommend to Council that the non-statutory garden waste collection service is ceased from 31 October 2022.
- 8.2. The Executive is asked to recommend to Council to implement chargeable, fortnightly Garden Waste collection from early spring 2023 at a charge of £49 per bin per household subscription.
- 8.3. The Executive notes the organisational changes made by the Head of Paid Service and endorses the further changes required to ensure that the Waste and Operations team and the wider organisation, has the capacity and skills required to deliver the Councils key services and corporate priorities.
- 8.4. The Executive approves the use of the £120,000 from the Revenue Grants Reserve to fund the 60% of the 2-year fixed term senior role outlined in paragraph 6.3.2.

- 8.5. Based on the decisions above requests officers bring back a further report to the Executive in December that will cover service progress, costs and further decisions required.

## 9. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Given the financial implications to the Council of the decisions to cease the garden waste collection and the introduction of a charged-for service, the final decisions are matters for the full Council acting on a recommendation from the Executive.
Financial implications to include reference to value for money	Y	The financial implications of bringing the waste service back in house in October 2022 are set out in Section 7 of the report.  In addition, the Executive is asked to approve the use of the £120,000 from the Revenue Grants Earmarked Reserve to fund the Council's share of the 2-year fixed term senior role outlined in paragraph 6.3.2. This post will be shared with West Devon Borough Council on a 60% (SHDC)/40% (WDBC) basis.
Risk	Y	There are operational risks with bringing the service back in-house, but these are mitigated by a clear mobilisation plan supported by appropriate technical and professional expertise and additional resources outlined above.  There is a risk of not being able to bring operating costs in line with available budgetary resources in the medium term.
Supporting Corporate Strategy	Y	Quality Council Services Natural Environment
Climate Change - Carbon / Biodiversity Impact	N	
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	
Safeguarding	N	

Community Safety, Crime and Disorder	N	
Health, Safety and Wellbeing	N	
Other implications	N	

**Supporting Information**

**Appendices:**

None

**Background Papers:**

None

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Report to: **Executive**

Date: **15 September 2022**

Title: **Medium Term Financial Strategy 2023/24 to 2025/26**

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

Wards Affected: **All**

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

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance**

Contact: Email: [lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk)

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**Recommendations:**

- 1. It is recommended that the Executive considers the Medium Term Financial Strategy and recommends to Council:**

**Recommendation 1: To set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to endeavour to continue to deliver services. The actual council tax for 2023/24 will be decided by Council in February 2023.**

**Recommendation 2: To continue to respond to Government consultations on Business Rates Reform.**

**Recommendation 3: To continue to actively lobby and engage with the Government, Devon MPs, South West Councils and other sector bodies such as the District Councils' Network and the Rural Services Network, for a realistic business rates baseline to be set for the Council for 2024 onwards, when the business rates reset is predicted to happen (this is the earliest date it might happen).**

**Recommendation 4: That the Council continues to lobby in support of the Government eliminating Negative Revenue Support Grant in 2023/24 (and thereafter) and continues to lobby for Rural Services Delivery Grant allocations which adequately reflect the cost of rural service provision.**

**2. It is also recommended that the Executive:  
Notes the forecast budget gap for 2023/24 of £374,616 (3.3% of the projected Net Budget of £11.47million) and the position for future years.**

**1. Executive summary**

- 1.1 The Council's Medium Term Financial Strategy (MTFS) is based on a financial forecast over a rolling three year timeframe to 2025/26. The Council adopted a three year timeframe for its MTFS in 2021, as this dovetailed to the timescales of the Corporate Strategy, 'Better Lives for All'. This timeframe has been emulated with the 2022 MTFS as it gives a good balance between long term financial planning and having realistic assumptions to be able to work with. This is in light of the current volatility within local government financial planning, due to the lack of certainty from continued one-year financial settlements. The previous one year financial settlements announced by the Government have aimed to address short-term pressures rather than focus on long term sustainability.
- 1.2 The Council, along with other local authorities, has faced unprecedented reductions in Government funding. Between 2009/10 and 2020/21, the Council's Core Government funding has reduced by £4 million. The Council now receives **no main Government Grant (Revenue Support Grant)** – this has been reduced to zero.
- 1.3 The Council has continued to work in partnership with West Devon Borough Council which has allowed South Hams to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.
- 1.4 It is important to note that this Medium Term Financial Strategy (MTFS) sets out the budget strategy for the Council for the next three years, with regular reviews (at least annually) and updates when items are further known or are announced by the Government.
- 1.5 This is the starting point for developing a meaningful three year strategy that sets out the strategic intention for all of the different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions.
- 1.6 Prudent financial management in the past, has meant that the Council was in a relatively healthy position financially before the pandemic hit. When Councillors set the Budget for 2020/21 in February 2020, no-one could have foreseen how our future finances and everyday lives were about to be impacted. The pandemic has also changed the world we operate in. Across the Council, staff have been called upon to continue the efforts to help local communities against the impact of the pandemic.

- 1.7 The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response. Key to the authority's financial resilience are our reserves, which are at a prudent level.
- 1.8 The recent challenges presented by the war in Ukraine with its broader implications along with the current 'cost of living crisis' will have an impact on the Council's finances as well as the finances of the residents of the District. The Council's approach to delivering services remains steadfast.
- 1.9 The latest inflation figures show prices are rising at their fastest rate for 40 years with the headline CPI (Consumer Price Index) rate at 10.1%. These increases have also impacted the MTFs and increased the cost pressures. At present, there is no indication from Government of any additional funding. The financial standing of the Council is secure in the immediate future, but there is still much work to do to ensure the long term financial sustainability of the Council.
- 1.10 It had been expected that a technical consultation paper on the local government finance settlement for 23/24 would happen before Parliament's summer recess. However the political turmoil has meant that this hasn't happened. It is now expected to be in early Autumn 2022.
- 1.11 In his speech to the Local Government Association (LGA) conference on 28 June 2022, the Secretary of State, Michael Gove MP, promised to give local authorities greater "financial certainty". It was confirmed that a 2-year financial settlement will be introduced. The proposal for a 2-year settlement suggests that there will be rollover settlements in both 2023/24 and 2024/25, meaning financial settlements that are broadly similar to 2022/23.
- 1.12 The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26 although this has not been confirmed by the Government so the MTFs assumes that these changes could happen in 2024/25 at the earliest.
- 1.13 The key assumptions within the Medium Term Financial Strategy are as below. Each of these is described in more detail in Section 4.
- The business rates baseline reset will be deferred until 2024/25 at the earliest (with no negative Revenue Support Grant in 2023/24)
  - There will be a phasing in of negative Revenue Support Grant as part of the business rates baseline reset (predicted to be in 2024/25 at the earliest) with a transition period over three years, to avoid Local Authorities losing/gaining too much in one go. The modelling assumes negative RSG of £450,000 in 2024/25 and 2025/26. Some of the negative RSG could be offset by growth.

- It is assumed Council Tax limits for District Councils will remain at the higher of £5 or 1.99% for 2023/24 onwards
- The awaited technical consultation paper from the Government on a two year settlement could indicate whether Ministers are minded to allow a further year or two years of one-off allocations of New Homes Bonus (NHB), or the Government may chose to implement some other changes. It is assumed that the roll over settlement for 2023-24 will give an amount of at least £500,000 of NHB funding (or a similar replacement housing incentive scheme) that could be used to fund the 23/24 revenue base budget.
- A business rates pooling gain of £300,000 has been modelled for 2023/24 with no further gains for 2024/25 onwards.
- A council tax surplus of £200,000 for 23/24 has been assumed, with a council tax collection rate of 97.5% (98.34% was achieved in 2021/22)
- Rural Services Delivery Grant has been assumed to continue at the same level for 23/24 with uplifts for 24/25 and 25/26
- A 3% pay increase has been modelled from 2023/24 onwards (3% equates to £280,000 on total pay of £9.5m, prior to the waste service being brought back in-house. The waste service is shown separately.) – see 3.27 and 3.28

1.14 The following table illustrates the predicted budget gap from 2022/23 onwards for the Council **as shown in Appendix B**:

<b>Budget Gaps</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>Total Aggregated Budget Gap £</b>
'New' Budget Gap each year	374,616	12,133	417,134	803,883
*Cumulative Budget Gap	374,616	386,749	803,883	1,565,248

\* (Cumulative Budget Gap assumes annual new budget gaps have not been addressed)

1.15 ***The forecast budget gap for 2023/24 is £374,616. This is 3.3% of the Projected Net Budget for 23/24 of £11.47million.*** A cumulative budget gap of £386,749 is predicted for 2024/25 (the £386,749 assumes that the 23/24 budget gap of £374,616 has not been closed). The cumulative aggregated Budget Gap by 2025/26 is £1.57 million, if no action has been taken in each individual year to close the budget gap annually.

1.16 A Government technical consultation on the finance settlement is expected in the Autumn. The hope is that this will enable greater confidence to be had in the assumptions underlying the MTFs and might also set out the principles of how a two-year finance settlement would be implemented. In the meantime, there are continuing uncertainties about the level of local government funding for 2023/24. There is no indication yet of the detailed local government funding levels for 2023/24



and beyond. Therefore there are many uncertainties in preparing for the challenges we know we will face in the near future.

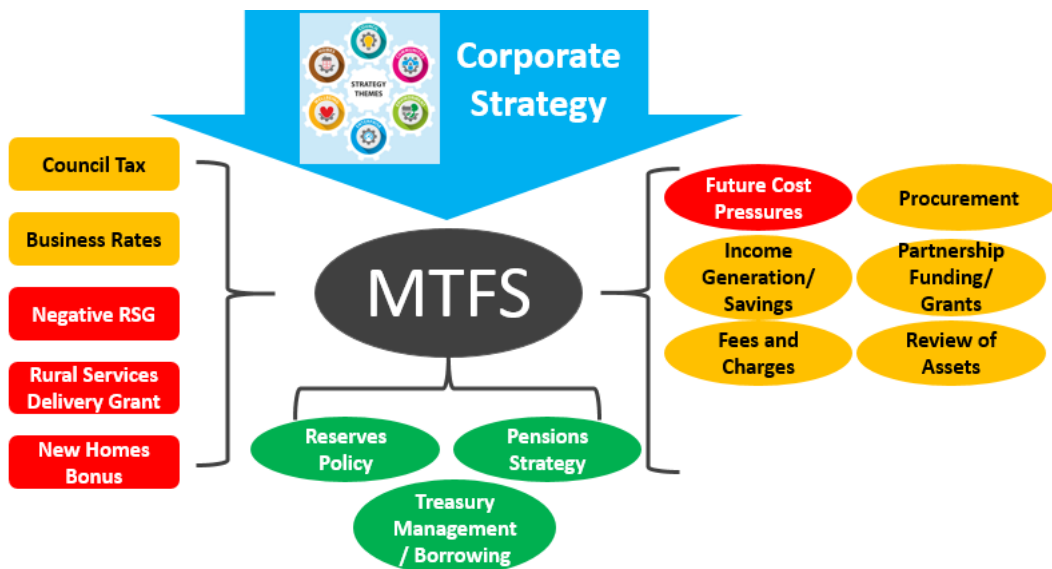
1.17 There is little Government appetite for full reform of Local Government finances in the short term, with the prospect of a General Election and Spending Review in the next couple of years encouraging delay. More time is also needed to develop formula changes and to get a full dataset for the 2021 Census.

1.18 A further budget update report will be presented to the Executive on 13<sup>th</sup> October, which will update the MTFS for announcements in the Government technical consultation (due in the Autumn). Further options for Members' considerations of how to close the predicted budget gap of £374,616 will be presented as part of this report.

**2 COMPONENTS OF THE MEDIUM TERM FINANCIAL STRATEGY**

2.1 The Diagram below sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council's control or influence.

**2022/23 Net Budget £10.46 million**



2.2 The key assumptions within the MTFS are set out in Section 3.

## OVERALL POSITION – BUDGET GAP

- 2.3 Financial modelling has been undertaken for the next five years to predict the Council's financial situation for the short and medium term.
- 2.4 **Appendix A** to the Medium Term Financial Strategy sets out the Budget Pressures forecast for the next five years and the additional savings and income forecast. **Appendix B** illustrates the overall financial forecast for the forthcoming five years. The Council's Net Budget is £10.46 million in 2022/23.
- 2.5 A Summary forecast is shown below of the potential budget situation if all of the budget pressures and the savings and income generation in Appendix A were approved. It also shows the situation if the Council Tax is increased by £5 per annum (shown in Appendix B).
- 2.6 The following table illustrates the predicted budget gap from 2022/23 onwards for the Council **as shown in Appendix B**:

Budget Gaps	2023/24 £	2024/25 £	2025/26 £	Total Aggregated Budget Gap £
'New' Budget Gap each year	374,616	12,133	417,134	803,883
*Cumulative Budget Gap	374,616	386,749	803,883	1,565,248

\* (Cumulative Budget Gap assumes annual new budget gaps have not been addressed)

- 2.7 **The forecast budget gap for 2023/24 is £374,616. This is 3.3% of the Projected Net Budget for 23/24 of £11.47million.** A cumulative budget gap of £386,749 is predicted for 2024/25 (the £386,749 assumes that the 23/24 budget gap of £374,616 has not been closed). The cumulative aggregated Budget Gap by 2025/26 is £1.57 million, if no action has been taken in each individual year to close the budget gap annually.
- 2.8 The Council awaits the details of the Government technical consultation (expected in the Autumn) on the finance settlement, which will enable the Council to further firm up some of the assumptions within the Medium Term Financial Strategy (MTFS) and the paper might set out the principles of how the two-year settlement would be implemented. Further options for Members' considerations of how to close the predicted budget gap of £374,616 for 2023/24 will be presented as part of further budget reports.

### 3 ASSUMPTIONS FOR FINANCIAL MODELLING PURPOSES

- 3.1 The SFA is essentially the business rates baseline and is the amount of money the Council retains from its share of the business rates income. The breakdown of the increase in SFA for 2022/23 is shown below.
- 3.2 The 'Core Spending Power' is a headline figure used by MHCLG to represent the key revenue resources available to local authorities, including an estimate of actual and potential council tax, as below. The Council now receives no main Government grant (Revenue Support Grant).
- 3.3 **Core Spending Power for South Hams (which is a measure of how much extra funding a Council has received for next year) increased by 3.6% for 2022/23.** Core Spending Power is the term the Government use to say how much money Councils have to run their services. On looking at the detail below, it can be seen that the extra funding of 3.6% is mainly coming from assumed Council Tax increases in 2022/23.
- 3.4 The calculation of Core Spending Power already assumes that a Council will increase its council tax up to the maximum allowed under the referendum limits for 2022/23 – so for SHDC a £5 council tax increase (less than 10pence per week) for 2022/23 was included within this 3.6% increase in funding. New Homes Bonus is also included in the measure of Core Spending Power in 'Other Grants'.
- 3.5 Core Spending Power increased from £10.3m in 2021/22 to £10.7m in 2022/23 as shown below. Nationally, Core Spending Power increased by 4.4% (factoring in council tax increases).



### Council Tax

- 3.6 The Council Tax Referendum limits for District Councils for 2022/23 was the higher of 1.99% or £5. An increase in council tax of £5 for the next three years has been modelled for council tax purposes. This would equate to a Band D council tax for the District Council of £185.42 in 2023/24 as shown in Appendix B (an increase of £5 for the year (10 pence per week) which equates to a 2.77% increase. The Council's share of the council tax for 2023/24, will be set at the Council meeting on 16th February 2023. (A 1% increase in council tax generates £71,000 of extra council tax income).

**Recommendation 1:** To set the strategic intention to raise council tax by the maximum allowed in any given year, without triggering a council tax referendum, to endeavour to continue to deliver services. The actual council tax for 2023/24 will be decided by Council in February 2023.

- 3.7 The table below shows how an average Band D council bill is made up for South Hams District Council for 2022/23, compared to 2021/22. Of an average Band D Council Tax within the District of £2,155.30, an amount of £180.42 is the element of a council tax bill set by South Hams District Council. Therefore 8pence of every £1 paid (8%) in council tax is received by South Hams District Council to pay for our services. The rest of the council tax bill is set by Devon County Council, the Fire, the Police and Town and Parish Councils to fund the services they provide.

In 2022/23, the council tax for an average Band D property in South Hams increased by £64.75 per annum, an annual increase of 3.1% as shown below.

Precepting Authority	Band D 2021/22	Band D 2022/23	£ Increase	% Increase
South Hams District Council	£175.42	£180.42	£5.00	2.85%
Devon County Council Precept	£1,342.44	£1,372.59	£30.15	2.99%
Adult Social Care Precept *	£168.84	£183.87	£15.03	
Devon & Cornwall Police & Crime Commissioner	£236.56	£246.56	£10.00	4.23%
Devon & Somerset Fire & Rescue	£90.00	£91.79	£1.79	1.99%
Average Parishes/Towns	£77.29	£80.07	£2.78	3.60%

<b>TOTAL</b>	<b>£2,090.55</b>	<b>£2,155.30</b>	<b>£64.75</b>	<b>3.10%</b>
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- 3.8 The District Council is responsible for collecting all the Council Tax debt of approximately £83m as South Hams DC is the Billing Authority. After keeping 8% of the council tax collected to run the Council's services, the rest is paid over to Devon County Council, the Police, the Fire and Town and Parish Councils. The collection rate for Council Tax for South Hams was 98.34% for 2021/22. This was 2.44% higher than the national average of 95.9%.
- 3.9 A council tax collection rate of 97.5% has been assumed for 2022/23. This may need to be revisited in future budget reports depending on the payment profiles being experienced in latter months of the year. The early months of 22/23 (up until July 2022) are currently showing a slightly higher collection rate for council tax than that of 21/22.
- 3.10 It has been assumed that the number of properties within the District will increase by 400 per annum from 2023/24 onwards.
- 3.11 In 2022/23 the Government set no council tax referendum principles for Town and Parish Councils. It has not yet been announced by the Government whether any referendum principles will apply to Town and Parish Councils in 2023/24 onwards.

### **Business Rates and Negative Revenue Support Grant (RSG)**

- 3.12 It has been assumed that the Business Rates Reset will be delayed to 2024/25 at the earliest. Whilst this change is not confirmed by the Government, a reset based on the current taxbase would appear very unlikely.
- 3.13 It had been expected that a technical consultation paper on the local government finance settlement for 2023/24 would happen before Parliament's summer recess. However the political turmoil has meant that this hasn't happened. It is now expected to be in early Autumn 2022.
- 3.14 The proposal for a 2-year settlement suggests that there will be rollover settlements in both 2023/24 and 2024/25, meaning financial settlements that are broadly similar to 2022/23.
- 3.15 The Fair Funding Review, business rates baseline reset, and other funding reforms now look set to be pushed back to 2025/26 although this has not been confirmed by the Government so the MTFs assumes that these changes could happen in 2024/25 at the earliest.
- 3.16 Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period (the current spending review runs to 2024/25). 2025/26 now looks like it is shaping up to be a

very significant financial year for local government, incorporating a new spending review, the 2021 Census and funding reforms.

- 3.17 A two year settlement (with no negative Revenue Support Grant, RSG, in 2023/24) is the most likely scenario now. This means the Council wouldn't have to forego some of its business rates income (£450,000) by paying some of it back to Government in the form of 'negative government grant' in 2023/24. Negative RSG is effectively the Council's further predicted funding cuts.
- 3.18 It is anticipated there will be a phasing in of negative RSG as part of the business rates baseline reset (predicted to be in 2024/25 at the earliest), with a transition period over three years, to avoid Local Authorities losing/gaining too much in one go. The modelling assumes negative RSG of £450,000 in 2024/25 and 2025/26. Some of the negative RSG could be offset by growth.
- 3.19 Estimates have been made of the business rates baseline funding levels for 2023/24 onwards and the relative deductions for negative RSG. For example in 2023/24, the £2.55m is the amount the Council is projected to retain from its business rates income collected of around £24 million (this equates to around 10p in every £1 collected of business rates).
- 3.20 The 2021/22 collection rate for South Hams for business rates was 98.13%. This was 2.63% higher than the national average of 95.5% for 2021/22.
- 3.21 It is modelled to take £500,000 funding from the business rates retention reserve in 23/24, with a further £700,000 in 24/25 and 25/26. This would reduce the business rates retention reserve by £1.9m over the next 3 years to smooth the impact of the business rates baseline reset and the future loss of pooling gains. In addition, an amount of £3m has been approved to be utilised from the business rates retention reserve, to cover the transitional cost of the waste service coming back in-house in October 2022 onwards. A prudent view has been taken in this report and once the Government technical consultation on the two year settlement has been announced, the Council may be able to reduce the amount of funding that is coming from this reserve to help fund the base budget. This reserve is predicted to have more business rates income being set aside into the reserve in 23/24, due to the way that business rates income flows through the collection fund over a period of years.
- 3.22 **Business Rates Revaluation** – There will be a business rates revaluation from 1 April 2023, based on the rental market at 1 April 2021. The purpose of a business rates revaluation is to update rateable values and therefore, business rates bills, to reflect changes. Transitional arrangements will be in place to support businesses to adjust to their new bills.

**Recommendation 2:** To continue to respond to Government consultations on Business Rates Reform.

**Recommendation 3:** To continue to actively lobby and engage with the Government, Devon MPs, South West Councils and other sector bodies such as the District Councils' Network and the Rural Services Network, for a realistic business rates baseline to be set for the Council for 2023 onwards, when the business rates reset happens.

### **Devon Business Rates Pool**

- 3.23 South Hams District Council will continue to be part of a Devonwide Business Rates Pool for 2022/23 and it is expected that this opportunity will also be there for 2023/24 (until the baseline reset happens in 2024/25 at the earliest). A business rates pooling gain of £300,000 has been modelled for 2023/24 with no further gains for 2024/25 onwards when the baseline reset is scheduled to happen.

### **Rural Services Delivery Grant**

- 3.24 Rural Services Delivery Grant has been modelled to continue for 2023/24 onwards at previous levels (£85m nationally – SHDC share of £437,000) and the methodology for distribution is assumed to remain unchanged from 2022/23. The Council will continue to lobby on the basis that the £85m should be increased. This is Government grant to recognise the additional cost of delivering services in rural areas.

**Recommendation 4:** That the Council continues to lobby in support of the Government eliminating Negative Revenue Support Grant in 2023/24 (and thereafter) and continues to lobby for Rural Services Delivery Grant allocations which adequately reflect the cost of rural service provision.

### **New Homes Bonus (NHB)**

- 3.25 The timing of the cessation of the current NHB scheme is not clear, but if it does continue, it will be smaller in value with no historic legacy payments. The final legacy payment was made in 2022-23 and in theory there is £750m of NHB funding to be re-distributed to local authorities from 2023-24. The awaited technical consultation paper from the Government on a two year settlement could indicate whether Ministers are minded to allow a further year or two years of one-off allocations of NHB, or the Government may chose to implement some changes.
- 3.26 In 2022/23 the NHB allocation for the Council was £1,007,557. It is assumed that the roll over settlement for 2023-24 will give an amount of at least £500,000 of NHB funding (or a similar replacement housing incentive scheme) that could be used to fund the 23/24 revenue base budget.

## **Other assumptions within the Medium Term Financial Strategy (MTFS)**

- 3.27 The last pay award offer for 2021/22 was 1.75%. A 2% pay increase was budgeted for 2022/23 onwards. The National Employers have made a final offer for 2022/23 to the unions representing the local government workforce of an increase of £1,925 on all NJC pay points 1 and above with effect from 1 April 2022 and an extra day of annual leave entitlement with effect from 1 April 2023. All employees on a NJC pay spine would receive a minimum 4.04% pay increase, with a minimum of £10.50 hourly rate of pay.(The estimate of the National Living Wage, set at two-thirds of medium earnings for those aged 21 and over in 2024 is £10.95).
- 3.28 There is a consultation process for the pay award so it will not yet be known the outcome of this. The MTFS has modelled a total provision for pay award of £630,000 in 23/24. This is the amount that will be needed for the £1,925 pay award outlined in 3.27, in addition to the 2% that was provided for in the 22/23 budget. So this is the amount over the current budget provision of £185,000 that was allowed for for a pay award in 2022/23 (2%). This needs to be built into the 23/24 budget as a 'catch up' for the pay award for 22/23, as the 22/23 budget has already been set.
- 3.29 The Medium Term Financial Strategy is not an expression of Council Policy on pay awards, but a means of ensuring an appropriate provision is made as part of the overall financial planning of the Council.
- 3.30 The Council is particularly affected by inflation in terms of the Local Government Pay Award as staffing forms a significant proportion of the Council's budget. The 2022/23 budget was set before this crisis escalated and an assumption of 2% was included.
- 3.31 The Consumer Price Index (CPI) has reached 10.1% (July 2022 CPI), which is a 40 year high, and is forecast to peak at 13% in the Autumn. Half of this increase can be attributed directly to gas/electricity price inflation. An extra £300,000 cost pressure for inflation on goods and services has been included within the cost pressures in Appendix A. For electricity alone, a 280% increase has been factored in equating to over £200,000 additional cost. The £300,000 figure may be needed to be increased in future budget reports once more is known on current price increases.
- 3.32 The predicted interest rate forecast from our treasury management advisors, Link Services, is that interest rates (Bank Base rate) will increase another 0.5% in September to 2.25% as the Bank of England looks to tackle surging inflation. Another rise to 2.75% is predicted in March 2023, with rates falling back to 2.25% by June 2024. The increase in Bank Rate will increase the Council's income from treasury



management investments and additional income of £300,000 has been built into the MTFS for 2023/24.

### Better Lives for all – The Council’s 20 year vision

3.33 Better Lives for All sets out our 20-year vision for South Hams and its communities. It forms the strategy for both the Council as an organisation and the South Hams as a place. The six areas of focus are supported by detailed annual delivery plans.

<https://www.southhams.gov.uk/better-lives-for-all>

**Achieving our Vision**

To support us in achieving our vision, we have aligned our actions to a number of themes.

Each theme will be led by an Executive Member and supported by a senior officer.

In the following pages, we set out our Thematic Delivery Plans for each area.



**Adapting & mitigating climate change and increasing biodiversity**

Better homes enabling better lives for all

An environment where people and nature thrive together



**Improving homes**

Better homes enabling better lives for all



**Protecting, conserving & enhancing our built and natural environment**

Planning for our future, celebrating our past



**Stimulating a thriving economy**

Strong and prosperous communities where residents live healthy lives and are empowered to make a positive impact



**Strengthening community wellbeing**

Delivering quality services to our residents and communities



**Delivering quality Council services**

Delivering quality services to our residents and communities

### Climate Change

3.34 The Council’s annual delivery plan on ‘Adapting and mitigating climate change and increasing biodiversity’ sets out the Council’s action plan for addressing climate change and the carbon/biodiversity impact.

### OTHER BUDGET ITEMS

3.35 Waste and Recycling service – There is a separate report on this Executive agenda on the waste and recycling service update.

3.36 The Levelling Up and Regeneration Bill is making its way through Parliament. The Government is aiming for Royal Assent in Spring 2023. There is a proposal within the bill to allow Billing Authorities the discretion to charge second home owners a council tax premium of 100% (so a second home dwelling would pay double the council tax charge). The Bill requires Billing Authorities to have a minimum period of 12 months between making its first determination and the financial year in which it takes effect. Billing Authorities might be able to charge the premium to second home owners in 2024-25, but the timing will be very tight if Authorities only get the powers in Spring 2023. A Member decision would need to be taken on this as part of the future budget setting

process. Modelling shows that extra council tax income of £730,000 could be generated.

- 3.37 The Council will be reviewing core service delivery through on-going service reviews and will bring reports back to Members at the appropriate point, linking back to the corporate strategy.

#### **4. Treasury Management and Borrowing Strategy**

- 4.1 The Council has previously taken external treasury management advice on the Council's overall borrowing levels and debt levels. The Council set an Upper Limit on External Borrowing (for all Council services) as part of the Medium Term Financial Strategy of £75 million in 2019 and it is not proposed to change this limit at present.

- 4.2 In 2021/22 the long term borrowing of the Council decreased from £14,380,000 (20/21) to £14,284,000. Short term borrowing increased from £94,000 to £96,000 due to the maturity profile of borrowing. No further external borrowing took place during 2021/22.

#### **5 FEES AND CHARGES**

- 5.1 As part of the budget process, fees and charges will be reviewed. A delegation is in place to enable service managers to increase fees and charges by inflation where these are not material changes or increases.

#### **6 FINANCIAL SUSTAINABILITY AND TIMESCALES**

- 6.1 The Council will continue to assess various options for closing the budget gap for 2023/24 onwards, and in the longer term, to achieve long term financial sustainability and further options will be presented to Members in further budget reports. This will consider ways to reduce the Council's operating costs and generating further income and savings.

- 6.2 Making the best use of our resources and setting a balanced budget annually is within the 'Delivering Quality Services' Delivery Plan of the Council's long term strategic vision, 'Better Lives for All'.

#### **7 Earmarked and Unearmarked Reserves Policy**

- 7.1 Unearmarked Reserves have decreased by £66,000 in 2021/22 and total £2.056 million at 31 March 2022. There was a surplus of £214,000 on the outturn position for 2021/22 (2.2% of the net budget of £9.7m) as shown in the Draft Statement of Accounts for 2021/22 published by the end of July 2022. In accordance with normal accounting practice, this underspend has gone into Unearmarked Reserves, with a view to it being reinvested in our core services and our 'Better Lives for All Strategy'. In addition, £280,000 has been transferred from Unearmarked Reserves to a Financial Stability Earmarked Reserve as part of the process of closing the 2021/22 Accounts. This was approved by Council in February 2022.

- 7.2 Earmarked Reserves have decreased by £655,000 in 2021/22 and total £20.839 million at 31 March 2022. A full list of Reserves is shown in Appendix C. The proposed contributions to/from Earmarked Reserves are shown in Appendix D.
- 7.3 Earmarked Reserves includes £4.260m held in the Business Rates s31 Compensation Grant Reserve. This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). The funding in this reserve will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
- 7.4 Reserve levels will be kept under constant review and will be reviewed throughout the budget setting process to consider commitments against Earmarked Reserves, their unallocated balance and the contributions to/from Earmarked Reserves for 2023/24 and future years also. This will form part of the December 2022 Budget report to the Executive and will be able to be considered alongside details of the Government's technical consultation paper (due Autumn 2022).
- 7.5 At Council on 10th February 2022, Members set a minimum balance for Unearmarked Reserves of £1.5million, with an operating level of a minimum of £2million. This was based on a risk assessment basis and a sensitivity analysis. Therefore the current level of £2.056million is still above these levels previously set.
- 7.6 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 in February 2022, with an operating level of £2million). Section 25 of the Local Government Act 2003 requires the Section 151 officer to report on the adequacy of the Council's financial resources on an annual basis.
- 7.7 The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.
- 7.8 As highlighted above there is a high degree of uncertainty about future levels of funding for local government. However, the Section 151 Officer is keeping a close watch on developments and planning for this longer-term uncertainty. For example, the Council has a Financial Stability earmarked reserve to help secure financial stability for the longer term. This will include addressing any future financial pressures from changes

in local government funding levels. The balance on the Financial Stability earmarked reserve at 31 March 2022 is £0.280m.

## **8 CAPITAL PROGRAMME AND PRUDENTIAL BORROWING**

8.1 The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. The Capital Budget Proposals for 2023/24 will be a separate report to the Executive in December 2022.

8.2 Capital projects will be scored on the following criteria:

- Health and Safety compliance
- Essential to keep operational assets open
- Fit with the Council's Delivery Plans for 'Better Lives for All'
- To rationalise service delivery or service improvement
- To generate income, capital value or to reduce revenue costs

8.3 It is important that future bids for capital are aligned with the review of the thematic delivery plans and aims within 'Better Lives for All'.

### **Capital Reserves**

8.4 The Capital Receipts Reserve (which holds capital receipts which can be used to finance capital projects) has a balance of £2.95m as at 31.3.2022. These capital receipts are earmarked for current projects within the Council's capital programme.

8.5 The Capital Grants Unapplied Reserve has a balance of £504,000 as at 31 March 2022.

8.6 **Investment Property Strategy** – The Council has agreed an Investment Property strategy. To date, Investment Properties have a value of £18.61 million in aggregate as at 31.3.2022.

8.7 Purchases made within the strategy are capital expenditure. An income projection of £667,000 from the net ancillary income from investments in Investment property has been included within the 2022/23 Base Budget onwards.

8.8 The Council's Asset Base is £102.7 million at 31 March 2022. The Council will continually review and challenge its asset base in order to deliver the optimum value for money from the Council's Assets.

## **9 NEXT STEPS AND PROPOSED WAY FORWARD**

- 9.1 The MTFS is the starting point for developing a meaningful three year strategy that sets out the strategic intention for different strands of funding available to the Council. The Council will then be able to rely on this to inform future decisions.
- 9.2 The Council's budget is essentially fixed in cash terms and its ability to raise income is limited as there are national controls in place around council tax and business rates.
- 9.3 Officers will continue to work with the Executive and the results of this will be incorporated into future Budget reports. This will consider ways to reduce the Council's operating costs and generating further income and savings.
- 9.4 A further budget update report will be presented to the Executive on 13<sup>th</sup> October, which will update the MTFS for announcements in the Government technical consultation (due in the Autumn). Further options for Members' considerations of how to close the predicted budget gap of £374,616 will be presented as part of this report. The table below shows the budget timetable for the budget meetings for the 2023/24 Budget process.

15 <sup>th</sup> September 2022	Executive – To consider the three year MTFS (Medium Term Financial Strategy) for 2023/24 to 2025/26
13 <sup>th</sup> October 2022	Executive – To update the MTFS for the details of the Government technical consultation on local government finance (due Autumn 2022)
1st December 2022	Executive – To consider draft proposals for the Revenue and Capital Budget for 2023/24.
19 January 2023	Overview & Scrutiny Committee - To consider draft proposals for the Revenue and Capital Budget for 2023/24.
26th January 2023	Executive – To recommend Final Budget Proposals to Council for 2023/24
<b>13th February 2023 (9am)</b>	<b>Date which Council Procedure Rule 16 applies</b>
16th February 2023	Full Council – To approve Final Budget Proposals for 2023/24 and set the SHDC share of the Council Tax

22 February 2023	Council Tax Resolution Panel – to agree the Council Tax Resolution for 2023/24 (This is SHDC share plus all other precepting authorities share).
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**Note 1-** Council Procedure Rule 16 states that ‘Where a member intends to move a motion or amendment in relation to the Budget, the text of that motion or amendment must be put in writing and submitted to the Head of Paid Service by 9am on the third working day before the meeting, in order that officers may have sufficient time to consider and advise the Council of the financial implications of any such motion or amendment’. As per the timetable above, this would need to be submitted by 9am on Monday 13th February 2023.

## 10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Executive is responsible for recommending to Council the budgetary framework. It is the role of the Overview and Scrutiny Committee to scrutinise the Budget proposals being proposed by the Council on an annual basis. In accordance with the Financial Procedure Rules, Council must decide the general level of Reserves and the use of Earmarked Reserves.</p> <p>The preparation of the Budget report is evidence of whether the Council has considered and taken into account all relevant information and proper advice when determining its financial arrangements in accordance with statutory requirements, and in particular, that it will set a lawful budget.</p>
Financial implications to include reference to value for money		<p><b>The forecast budget gap for 2023/24 is £374,616. This is 3.3% of the Projected Net Budget for 23/24 of £11.47million.</b> A cumulative budget gap of £386,749 is predicted for 2024/25 (the £386,749</p>

		<p>assumes that the 23/24 budget gap of £374,616 has not been closed). The cumulative aggregated Budget Gap by 2025/26 is £1.57 million, if no action has been taken in each individual year to close the budget gap annually.</p> <p>A Government technical consultation on the finance settlement is expected in the Autumn. The hope is that this will enable greater confidence to be had in the assumptions underlying the MTFs and might also set out the principles of how a two-year finance settlement would be implemented. In the meantime, there are continuing uncertainties about the level of local Government funding for 2023/24. There is no indication yet of the detailed local government funding levels for 2023/24 and beyond. Therefore there are many uncertainties in preparing for the challenges we know we will face in the near future.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> <li>• Improving economy, efficiency and effectiveness</li> <li>• Financial Sustainability</li> <li>• Governance</li> </ul> <p>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit Committee meeting on 24 November 2022.</p>
Risk		Each of the budget options taken forward by Members will consider the risks of the option.
Supporting Corporate Strategy		The majority of activities set out in the Council's delivery plans can be delivered through refocusing and reprioritisation of existing resources however, in order to realise the ambition set out in the strategy, some of the activities will require additional resources.
Climate Change - Carbon / Biodiversity Impact		<p>The Council declared a Climate Change and Biodiversity Emergency on 25 July 2019 and the potential for this to have significant financial implications for the Council was highlighted.</p> <p>A Climate Change Action Plan was presented to Council in December 2019. Following this report, a strategy is being implemented as to how the Council can finance the items within the Action Plan, whether</p>

		<p>that is from external grant sources or some funding from the Council's own resources.</p> <p>The Council has Earmarked £400,000 in a Climate Change Earmarked Reserve as part of the 2020/21 Budget, with a further £200,000 being agreed as part of the 2021/22 Budget Process.</p> <p>Further detail is set out in the Council's 'Better Lives for All' Thematic Delivery Plan.</p>
<b>Comprehensive Impact Assessment Implications</b>		
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
Equality and Diversity		Equality Impact Assessments are completed for the budget proposals.
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**

#### **Appendices:**

- Appendix A – Budget pressures and savings
- Appendix B – Modelling of the Budget Position
- Appendix C - Schedule of Reserves
- Appendix D – Contribution to/from Reserves

#### **Background Papers:**

None



**SOUTH HAMS DISTRICT COUNCIL - BUDGET PROPOSALS 2023/24**  
(This shows the changes to the existing Base Budget)

**APPENDIX A**

	<b>BASE 2022/23</b>	<b>Yr1 2023/24</b>	<b>Yr2 2024/25</b>	<b>Yr3 2025/26</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>BUDGET PRESSURES</b>				
Inflation and increases on goods and services	110,000	300,000	250,000	110,000
Triennial Pension revaluation (increase in Pension Employer primary rate contributions)		100,000	0	0
Salaries - provision for pay award at 3% (£280,000) from 2023/24 onwards, total pay of £9.5m	185,000	280,000	280,000	280,000
Pay award 2022-23 - £1,925 per Scale Point (£630,000 is the amount over the current budget provision of £185,000 for 2022-23) - This will need to be built into the Base Budget in 2023-24	0	630,000	0	0
Increase in salaries - increments and pay and grading	0	200,000	0	0
Increase the staffing budget for four planning specialists and two legal specialists (shared with West Devon Borough Council), to be financed by extra planning income - Planning Improvement Plan (Executive 14.10.21). In addition, the Planning Improvement Plan, Executive 26.5.22, noted that the cost of the restructure, £98k per annum, will be funded for the first three years from the additional planning income held in the planning earmarked reserve.	164,000	98,000	0	0
Better Lives for All strategy - Council 23 September 2021 - £110,000 cost pressures for 22/23 and 23/24	110,000	0	(110,000)	
Waste collection, recycling and cleansing contract inflation (estimate of around 3%)	130,000			
Additional inflation for the waste service - 12.2% for 2022/23 (extra £360K) plus assume 5% for 2023/24 onwards (£205K)	0	565,000	205,000	205,000
Waste collection, recycling and cleansing service - Council 14 July 2022	0	1,250,000	0	0
National Living Wage and National Insurance (social care levy of 1.25% and NLW increases)	140,000	150,000	250,000	250,000
Dartmouth Lower Ferry - increase the R & M budget	0	80,000	0	0
Head of Revenues and Benefits Executive 7th April 2022	0	45,000	0	0
Housing Delivery Team Executive 26th May 2022	0	44,700	0	0
IT Support contracts - increased number of users on the network, increase in remote working, Disability Access legislation and above inflationary increases on support contracts	75,000			
Reduce the income budget for treasury management investment income	80,000			
Rough sleeper outreach worker (SHDC share of the cost is 60%), to be funded from Government Homelessness grant	24,000			
Community composting groups	10,000			
Salcombe Harbour recharges to the Council for staff time	16,600			
<b>TOTAL BUDGET PRESSURES</b>	<b>1,044,600</b>	<b>3,742,700</b>	<b>875,000</b>	<b>845,000</b>
<b>Changes to contributions to Earmarked Reserves</b>				
Reduce the contribution from the New Homes Bonus Reserve to fund the Revenue Base Budget (assumes a contribution of £0.5m in 22/23 and 23/24 onwards)	246,000	0	0	0
Dartmouth Ferry - increase annual contribution to reserve		30,000	30,000	0
Contribution from Business Rates Retention reserve to smooth the volatility in business rates income from the baseline reset and the loss of a pooling gain (This would use £0.1m of the Reserve in 22/23, £0.5m in 23/24 and £0.7m in both 24/25 and 25/26)	(100,000)	(400,000)	(200,000)	0
Contribution from the Planning Reserve for the cost of the restructure within the planning service - Executive 26 May 2022 - to be funded for the first three years from the additional planning income held in the planning earmarked reserve		(98,000)		
Reduce contribution to Pension Reserve	0	(99,000)	0	0
Contribution to Joint Local Plan Earmarked Reserve	25,000	0	0	0
Contribution from Homelessness Reserve (to fund rough sleeper outreach worker)	(24,000)	0	0	0
Repairs and Maintenance Reserve - increase annual contribution in 2023-24	0	25,000	0	0
<b>Total changes in contributions to Earmarked Reserves</b>	<b>147,000</b>	<b>(542,000)</b>	<b>(170,000)</b>	

**SAVINGS AND INCOME GENERATION IDENTIFIED**

	<b>BASE 2022/23</b>	<b>Yr 1 2023/24</b>	<b>Yr 2 2024/25</b>	<b>Yr 3 2025/26</b>
Management fee income from external contracts such as leisure	0	0	(430,000)	0
IT FIT Project - software savings	(70,000)	(10,000)		
Establishment savings (salary savings) gained from IT and digital communications	(20,000)	(50,000)		
Employment Estates - additional rental income	(80,000)	(100,000)		
Extra recycling income - additional income has already been achieved in 2021-22	(70,000)	(90,000)		
Extra planning income (to fund four planning specialists and two legal specialists) - Planning Improvement plan - Executive 14.10.21	(164,000)			
Car parking income (from extra usage of the car parks particularly in the coastal areas)		(350,000)		
Dartmouth Lower Ferry (from extra usage of the Ferry and a review of charges for 2023)		(355,000)		
Extra treasury management income - Base Rate has increased to 1.75%		(300,000)		
Charged Garden Waste service		(575,000)		
Savings on Trade Waste tipping fees and extra income on recycling sacks, due to more trade waste being recycled. Extra income from Controlled Waste Regulations (CWR) properties . These savings were already achieved in 2021-22.		(190,000)		
Funding from Homelessness prevention government grant (this funds housing posts - funding to be reflected within the base budget)		(170,000)		
Discretion to charge up to an extra 100% extra council tax on Second Homes (timescale is that legislation maybe introduced for 24-25 but it also could be delayed to 25-26). A Member decision would need to be taken on this as part of the future budget setting process. The figure shown is for modelling purposes only.			(730,000)	
<b>TOTAL SAVINGS AND INCOME GENERATION</b>	<b>(404,000)</b>	<b>(2,190,000)</b>	<b>(1,160,000)</b>	<b>0</b>

Line	<b>Appendix B - Assumes Council Tax is increased by the higher of £5 or 1.99% each year</b>	<b>BASE</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>
No.	Modelling for the financial years 2023/24 onwards	2022/23 £	2023/24 £	2024/25 £	2025/26 £
1	Base budget brought forward	9,676,767	10,464,367	11,100,451	10,633,318
2	Budget pressures (as per Appendix A)	1,044,600	3,742,700	875,000	845,000
3	Savings already identified (as per Appendix A)	(404,000)	(2,190,000)	(1,160,000)	0
4	Changes in contributions to Earmarked Reserves (App A)	147,000	(542,000)	(170,000)	0
5	<b>Projected Net Expenditure:</b>	<b>10,464,367</b>	<b>11,475,067</b>	<b>10,645,451</b>	<b>11,478,318</b>
	<b>Funded By:-</b> (See Note 1 below regarding New Homes Bonus funding)				
6	<b>Council Tax income</b> - Modelling a £5 increase in 2022/23 onwards	7,061,585	7,331,451	7,605,318	7,883,184
7	Collection Fund Surplus	181,000	200,000	200,000	200,000
8	Localised Business Rates (estimate of business rates resources received in the year)	2,274,139	2,550,000	2,550,000	2,500,000
9	Negative Revenue Support Grant (RSG) Adjustment - Change to Baseline Need from 24/25 onwards	0	0	(450,000)	(450,000)
10	Business Rates Pooling Gain	300,000	300,000	0	200,000
11	Rural Services Delivery Grant	428,206	437,000	446,000	446,000
12	Lower Tier Services Grant	86,501	100,000	100,000	100,000
13	Services Grant	132,936	182,000	182,000	182,000
14	<b>Total Projected Funding Sources</b>	<b>10,464,367</b>	<b>11,100,451</b>	<b>10,633,318</b>	<b>11,061,184</b>
15	<b>Budget Gap per year</b> (Projected Expenditure line 5 - Projected Funding line 14)	<b>0</b>	<b>374,616</b>	<b>12,133</b>	<b>417,134</b>
	<b>Actual Predicted Cumulative Budget Gap</b>	<b>0</b>	<b>374,616</b>	<b>386,749</b>	<b>803,883</b>
	<b>Aggregated Budget Gap</b> (if no action is taken in each individual year to close the budget gap annually)	<b>0</b>	<b>374,616</b>	<b>761,365</b>	<b>1,565,248</b>
Modelling Assumptions:					
	Council Tax (Band D) (Modelling the higher of £5 or a 1.99% increase)	180.42	185.42	190.42	195.42
	Council Tax Base (Assumes an increase in Band D Equivalent properties of 400 per annum)	39,139.70	39,539.70	39,939.70	40,339.70

**Note 1 - New Homes Bonus Funding**

The modelling for 2023/24 onwards includes a contribution of £500,000 from New Homes Bonus to fund the Base Budget.

Although the NHB scheme is due to be replaced in 2023/24, it is assumed that a successor scheme will be implemented that will also be based on housing growth.

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RESERVES - BALANCES AT 31 MARCH 2022						APPENDIX C
		Opening balance	Additions to Reserve	Actual Spend	Closing balance	
EARMARKED RESERVES	Cost Centre	01.04.2021	2021/22	2021/22	31.03.2022	Comments
Specific Reserves - General Fund		£000s	£000s	£000s	£000s	
Affordable Housing	S0822	(668)		124	(544)	Actual spend relates mainly to Capital Programme expenditure
Beach Safety	S0839	(14)			(14)	
Capital Programme	S0820	(181)	(211)	143	(249)	Actual spend relates to the Capital Programme - Play Areas (£63k) and funds moved to the Repairs & Maintenance Reserve set aside for Follaton House Roof Refurbishment & Lift Replacement (£80k)
Community Composting	S0933	0	(200)		(200)	Council 10/02/22 approved a one off amount of £200k to be transferred into a Community Composting Earmarked Reserve in 2021/22.
Housing Capital Projects	S0854	(194)	(331)	117	(408)	Community Housing schemes
Community Parks and Open Spaces	S0826	(49)	(17)	20	(46)	Spend in 2021/22 mainly relates to play equipment resurfacing (£16k)
COVID-19	S0815	(100)	(381)	272	(209)	This is a new reserve set up in 2020/21 to protect against future COVID losses. The additions relate to the 5th tranche of the COVID-19 LA Support Grant - Executive 28/01/21. Spend relates to the shortfall in leisure management fee income in 2021/22 - Executive 3/3/22.
Dartmouth Ferry Repairs & Renewals	S0830	(428)	(117)	15	(530)	
District Elections	S0838	(10)	(10)		(20)	
Economic Initiatives	S0831	(23)			(23)	
Economic Regeneration (Business Rates pilot gain 2018/19)	S0858	(49)		25	(24)	The spend in 2021/22 relates to £15k for the Tour of Britain and £10k for the Ivybridge Regeneration project (Executive 18th June 2020).
Emergency Climate Change Projects	S0852	(400)	(200)	47	(553)	The set up of this reserve was approved by Executive on 6/2/2020 E74/19, funded by a £400k contribution from the New Homes Bonus Reserve. A further £200k has been contributed to this reserve this year as part of the 2021/22 Budget to support the Climate Change Action Plan. Funding was identified from The Business Rates Retention Reserve, New Homes Bonus and withdrawing the 2021/22 contribution to the Planning Earmarked Reserve. The 2021/22 spend mainly relates to the Climate Change & Biodiversity Locality Fund (£35k)
Environmental Health Initiatives	S0857	(20)			(20)	
Financial Stability	S0868	0	(280)		(280)	Council 10/02/22 approved for £280k to be transferred from unearmarked reserves to a Financial Stability Earmarked Reserve, to be available for any future financial pressures from future local government funding reforms and any other budget pressures.
Grounds Maintenance	S0901	(104)	(75)	30	(149)	A new reserve set up in 2020/21 to hold the Grounds Maintenance in year surpluses to be reinvested back into the service (Executive 18/6/20). In 2021/22 £30k of funding was moved to the new Tree Maintenance Earmarked Reserve. This relates to the 2020/21 tree maintenance surplus of £29,650. Additions to this reserve in 2021/22 relate to the Grounds Maintenance surplus of £74,655
Homelessness Prevention	S0851	(166)	(90)	22	(234)	This reserve has been created following underspends on Homelessness Prevention Costs
ICT Development	S0836	(82)	(50)	43	(89)	Spend in 2021/22 includes the Northgate Remote DBA Service (£21.5k)
Land and Development	S0829	(104)	(37)	69	(72)	The spend mainly relates to match funding towards the Urban Tree Programme (£62k).
Leisure Services	S0858	(51)		10	(41)	
Maintenance Fund	S0927	0	(78)		(78)	This is a new reserve set up in 2021/22 to hold service charge income. In addition £30k of the Follaton House vaccination centre income was transferred to this reserve in 2021/22
Maintenance, Management and Risk Management Reserve (MMRM)	S0861	(37)	(29)		(66)	This reserve was set up in 2019/20 to manage the ongoing maintenance costs of the Council's Investment Property. The contributions to the reserve equate to 10% of the rental income
Marine Infrastructure	S0828	(326)	(58)	200	(184)	The spend of £200k relates to the 2021/22 contribution towards the Harbour Depot, Batson Creek, Salcombe E.74/20
Members Sustainable Community Locality	S0846	(35)	(14)		(49)	This reserve holds the unspent balances.
New Homes Bonus	S0804	(1,803)	(1,068)	954	(1,917)	The NHB allocation for 21/22 is £1,068m. Spend in 2021/22 includes £746k contribution to the base revenue budget and £200k towards the Recovery and Renewal Plan and Climate Change Action Plan approved as part of the 21/22 Budget (Council 11/2/21).
On-Street Parking	S0834	(44)			(44)	
Pay & Display Equipment Renewals	S0833	(165)	(21)		(186)	This reserve provides for the periodic replacement of Pay & Display machines.
Pension Fund Strain Payments	S0810	(109)	(99)		(208)	This reserve is used to fund pension strain costs
Planning Policy & Major Developments	S0840	(217)	(370)	56	(531)	This reserve is for all planning matters and is also required to meet appeal costs. The additions in 2021/22 include £320,000 of additional planning income - Executive 3/3/22. The budgeted contribution of £50,000 in 2021/22 was reassigned to part fund the creation of the Recovery & Renewals Plan Earmarked reserve
Recovery and Renewal Plan	S0864	0	(500)		(500)	This is a new reserve set up as part of the 2021/22 Budget to support the costs of the Recovery and Renewal Plan. The £500k contribution is funded by reassigning the proposed contribution to the Planning Earmarked Reserve in 2021/22 (£50k) and a transfer from the Business Rates Retention Earmarked Reserve (£450k) - Council 11/2/21
Repairs & Maintenance	S0827	(231)	(173)	30	(374)	The £30k spend in 2021/22 relates to the cost of the Audio/Visual equipment for the Council Chamber. The additions to the reserve include the budgeted contribution of £80k and the £80k transferred from the Capital Programme in 2021/22 to be set aside for the Follaton House Roof Refurbishment and Lift Replacement

Revenue Grants	S0821	(1,101)	(894)	270	(1,725)	This reserve comprises of government grants received for specific initiatives or new burdens and are held in the reserve for accounting purposes. The 2021/22 spend includes £130k for the new Audio Visual system in the Council Chamber. This will be funded from the Government new burdens funding received for the administration of Business Grants which was transferred to this reserve in 2020/21. The additions in 2021/22 amounting to £894k relates mainly to the Local Council Tax Support Scheme (£131k), New Burdens COVID-19 Admin Support Grant (£236k) and other COVID-19 funding including the Clinically Extremely Vulnerable Fund (£115k) and the COVID-19 Hardship Fund (£103k). It is anticipated that a significant amount of these grants will be applied in 2022/23.
Salary Savings	S0863	(120)		120	0	This reserve was set up to hold salary savings from 2020/21 to be ringfenced to support salary costs in 2021/22. (Executive 11/3/21). Some work had to be postponed in 2020/21 due to the extra work pressures of the pandemic and this work will need to be carried out in 2021/22 to maintain and enhance service delivery and address recommendations from internal audit reports. The use of this reserve in 2021/22 was approved by Council on 10 February 2022
Section 106 Deposits	S0842	(38)			(38)	This reserve comprises of deposits with no repayment conditions - created as a result of IFRS
Section 106 Monitoring	S0929	(149)	(29)	20	(158)	This reserve funds the cost of an officer to oversee the administration of S106 deposits and how they are spent
Section 106 Technical Support	S0862	(34)		20	(14)	To meet the salary costs of a S106 technical support officer.
Support Services Trading	S0856	(72)	(30)	27	(75)	This reserve was created from external work carried out in other Councils e.g. HR work with Councils also embarking on a Transformation Programme. Spend in 2021/22 relates to the additional implementation costs associated with the introduction of the new payroll system
Sustainable Waste Management	S0837	(246)	(899)	80	(1,065)	This reserve was created for one-off waste management costs. Due to the delay in the implementation of the Devon Aligned Service an underspend of £80,000 was transferred to the Sustainable Waste Management reserve in 2020/21 to reflect the fact that the majority of the implementation costs will now be in 2021/22 rather than 2020/21 due to the pandemic (Executive 11/3/21), this funding has been utilised in 2021/22 (Council 10/2/22). This reserve contains the additional income from increased recycling credits and dry recycling income and it also holds the value of the 2021/22 contractual performance deductions. This will contribute to the anticipated set up costs of bringing the service back in house in October 2022 and capital outlay.
Tree Maintenance	S0934	0	(60)		(60)	A new reserve set up in 2021/22 to hold in year surpluses generated to reinvest back into the Tree maintenance service. The £60k additions relate to the 2021/22 surplus of £30,000 plus the 2020/21 surplus of £29,650 transferred from the Grounds Maintenance reserve
Vehicles & Plant Renewals	S0832	(143)	(550)	417	(276)	Earmarked for the Fleet Replacement Programme. An annual contribution of £550k is made to this reserve.
<b>Specific Reserves - Salcombe Harbour</b>						
Pontoons	S0843	(227)	(65)		(292)	
Renewals	S0844	(169)	(40)	17	(192)	
Revenue Account Reserve	S0845	(199)	(120)	23	(296)	Additions to this reserve relate to the Salcombe Harbour trading surplus generated in 2021/22 of £119,526
<b>Sub Total excluding the Business Rates Reserves</b>		<b>(8,108)</b>	<b>(7,096)</b>	<b>3,171</b>	<b>(12,033)</b>	
Business Rates Retention	S0824	(7,103)		2,557	(4,546)	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, a contribution of £1.82m was required in 2021/22 to offset the Business Rates deficit. In addition £450k was used as funding for the Recovery & Renewal Plan and Climate Change Action Plan and £275k was used to fund the Ivybridge Regeneration project costs - Council 11/2/21. At Council on 14 July 2022, Members approved the use of £3million of this reserve, to fund the additional costs during the transitional phase of bringing the waste service back in house.
S.31 Compensation Grant (Business Rates)	S0866	(6,283)		2,023	(4,260)	This is a new reserve set up to hold the business rates S31 grants received in 2020/21 and 2021/22 to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received will not be discharged against the Collection Fund deficit until the following year. In 2021/22 £2.023m of S31 grant was applied to the Collection Fund to smooth the impact of the business rates deficit. This reserve is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
<b>TOTAL EARMARKED RESERVES</b>		<b>(21,494)</b>	<b>(7,096)</b>	<b>7,751</b>	<b>(20,839)</b>	
<b>TOTAL UNEARMARKED RESERVES (General Fund Balance)</b>		<b>(2,122)</b>	<b>(214)</b>	<b>280</b>	<b>(2,056)</b>	This Unearmarked Reserve has a minimum balance of £1.5million and an operating level of £2 million (set by Members as part of the budget process). The surplus for 2021/22 of £214k has been credited to this reserve. The £280k spend relates to the transfer to the new Financial Stability Earmarked Reserve - Council 10/2/22
<b>TOTAL REVENUE RESERVES (EARMARKED AND UNEARMARKED RESERVES)</b>		<b>(23,616)</b>	<b>(7,310)</b>	<b>8,031</b>	<b>(22,895)</b>	

## ANALYSIS OF CONTRIBUTIONS TO/(FROM) EARMARKED RESERVES

Budget 2022/23			Estimate 2023/24		Estimate 2024/25	
To £	(From) £		To £	(From) £	To £	(From) £
181,600		Capital Programme	181,600		181,600	
16,900		Community Parks & Open Spaces	16,900		16,900	
10,000		District Elections	10,000		10,000	
117,000		Ferry major repairs & renewals	147,000		177,000	
	(500,000)	New Homes Bonus (assumes a replacement scheme in 23/24 onwards)		(500,000)		(500,000)
	(72,700)	Flexible Homelessness Gov Grant		(72,700)		(72,700)
	(100,000)	Business Rates Retention Reserve		(500,000)		(700,000)
20,800		Pay & Display Equipment	20,800		20,800	
99,000		Pension Fund Strain Payments	0		0	
80,000		Repairs and maintenance	105,000		105,000	
550,000		Vehicles & Plant Renewals	550,000		550,000	
7,000		Land and Development Reserve	7,000		7,000	
50,000		IT Development Reserve	50,000		50,000	
25,000		Sustainable Waste Management	25,000		25,000	
50,000		Planning Policy and Major Developments	50,000		50,000	
		Planning Policy and Major Developments ( to fund salary costs)		(98,000)		(98,000)
25,000		Joint Local Plan (to part fund salaries of the JLP team)	25,000		25,000	
2,000		Interest from Reserves	2,000		2,000	
1,234,300	(672,700)	<b>TOTALS</b>	1,190,300	(1,170,700)	1,220,300	(1,370,700)
<b>561,600</b>		<b>GRAND TOTAL</b>	<b>19,600</b>		<b>(150,400)</b>	

The change in contributions to Earmarked Reserves is the difference between £561,600 in 22/23 and £19,600 in 23/24, being a change of £542,000 as shown in A

Appendix A.



Report to: **Executive**

Date: **15 September 2022**

Title: **Housing Crisis Update - Energy Efficiency in Homes**

Portfolio Area: **Homes – Cllr Judy Pearce**

Wards Affected: **All**

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

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

Author: **David Sexton** Role: **Principal Private Sector Housing Officer**

Contact: **01822 813716/email: dave.sexton@swdevon.gov.uk**

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## **Recommendation**

**That the Executive NOTE the content of the report, along with progress to date on the schemes and to continue to support the council's energy efficiency work.**

### **1. Executive summary**

- 1.1 In September 2021, the Council declared a housing crisis. At the same time, it set out a range of activities it would undertake to tackle the crisis. The Leader of the Council has requested that an update be provided to Executive at their regular committee meetings.
- 1.2 The Council has been clear with its priorities around Housing and delivering homes for local people whilst making best use of existing stock, in accordance with the Better Lives For All strategy, and Better Homes, Better Lives (Housing Strategy 2021-2026).
- 1.3 The Council has also declared a Climate Change and Biodiversity emergency and has adopted set an aim to work with partners to reduce the District of South Hams' carbon emissions to net-zero by 2050 at the latest.

- 1.4 One of the areas the Council is able to secure improvements, in the private sector housing stock is energy efficiency. There are a number of schemes available to householders (and landlords) that the Council is able to promote, enable and administer. Improving energy efficiency improves the thermal comfort of homes and reduces the energy usage.
- 1.5 There is established evidence showing that living in cold houses can have a direct impact on people's health and can contribute to excess winter mortality and morbidity especially amongst the elderly and vulnerable.
- 1.6 As set out in reports on the Executive agenda today, one of the key factors contributing to the cost-of-living crisis is the sharp increase in gas and electricity costs. Some estimates suggest that following the predicted October 2022 increase in prices, as many as half of all households nationally will be paying more than 10% of their income on energy, which is an established indicator of fuel poverty.
- 1.7 The grants that are available are open to application from households on a lower income in owned or rented properties. Landlords are unable to apply directly but could encourage their tenants to do so on their behalf.
- 1.8 According to government statistics in the year 2020, 4400 properties were affected by fuel poverty in the South Hams.
- 1.9 The grants that are available are listed within this report, with a brief explanation of who they are available to and the benefits that they offer. The outcomes of the work carried out to date are also provided.

## **2. Background**

- 2.1 It is estimated from the latest figures in 2020 there were 3.1 million households in fuel poverty in England, with 4400 being located in the South Hams. Since the start of the cost-of-living crisis this number will have significantly increased, see 1.5 above.
- 2.2 Residential buildings – houses, flats, apartments – contribute to at least 15% of the total carbon emissions across the District. Reducing emissions from these building by increasing their energy efficiency and/or fitting lower carbon sources of heating and electricity will contribute to the Councils' climate change aims.
- 2.3 In July 2020 the Chancellor announced a £2 billion Green Homes Grant scheme to upgrade homes across England. The Council submitted successful bids totalling £1,025,250.

- 2.4 There are challenges in retrofitting homes in South Hams. The cost of material continues to rise, for example, the starting price for an air source heat pump is £15,000. External wall insulation is a similar price. There are added complications for listed properties and homes within the National Park and conservation areas. A larger proportion of the worst performing dwellings will not have access to mains gas and have single skin walls. It can be estimated that to significantly improve 4000 homes (average of £15000 per property), 50-60 million pounds of investment is needed.
- 2.5 The Council is currently operating and participating in a number of programmes to help residents improve their homes and reduce bills. The cost-of-living crisis will mean that the demand for these services is likely to rise.
- 2.6 Both homeowners and tenants can make an application to the schemes, however there may be a financial contribution needed from the landlord.
- 2.7 To make accessing support as simple as possible, residents can make a query via the South Ham's Reducing Fuel Bills webpage, so that the council can signpost them to the appropriate scheme.

### **Schemes currently offered in South Hams**

- 2.8 **Green Homes Grants phase 1-3**  
A Green Homes Grant is a grant that is funded by Central Government and administered by the Council. It is for low-income households to apply for to be able to claim funding to pay for various non-fossil fuel energy efficiency measures such as insulation, heat pumps and solar panels. This is being delivered in three phases, of which two are detailed below.
- 2.9 **Green Homes Grants phase 1**  
The original delivery plan across West Devon and South Hams districts involved partnering with SSE Energy Solutions (now OVO) to use their expertise and supply chain to install 150 measures (external wall insulation and air source heat pumps) to lower income households living in low efficiency housing.

The project experienced problems with 2021 Covid lock down, OVO taking over SSE, supply chain capacity problems and material shortages/increased prices. For these reasons OVO/SSE was unable to undertake any installs at all, other council projects experienced the same problems.

The Council was alerted to this difficulty in the autumn of 2021 when it became clear that OVO would not be able to fulfil the installs, so a new delivery scheme was developed.

A new approach was used that offered the existing approved applicants a voucher and the ability to then choose from a list of accredited contactors (most if not all will have engaged previously with the council through our ECO LA flex scheme, which is a way households can get grants from the energy companies, EON, British gas etc).

In addition, a wider range of measures were offered (Solar Panels, all insulations and storage heaters). Based on the contractor's assessment of what is the most appropriate measure (s) for that property, to achieve an EPC rating of C, a quote is provided. The quote and measures are then approved by the Council.

We have also partnered with the local community energy group(s) to help vulnerable applicants through the install process. The capital grant is an average of £10k. The project finishes in September 2022.

#### 2.10 **Green Homes Grants phase 2**

The project is similar to phase 1 as it targets lower income households in low energy efficiency housing. As the Government directed the funding to South West Energy Hub, this scheme is being overseen by them and being operated in Devon by EON/Happy Energy. The Council do not have any direct involvement in the project. South West Energy Hub have done their own marketing and management of installations, including any energy efficiency measures but no carbon based heating.

#### 2.11 **Green Homes Grants phase 3 - Home Upgrade Grant (Sustainable Warmth)**

This is a consortium of the Devon Districts running the next phase of the Government's energy efficiency initiatives, overseen by Devon County Council. The community energy groups are involved and front up the project. They assess the applicant's eligibility and are involved in the process of assessing what measures are appropriate for the property. A variety of measures are available; however the property is assessed and measures designed specifically for that property.

The Council has Officer representation on the management board for the project. The project is similar to the other phases as it targets lower income households in low energy efficiency housing and includes any energy efficiency measures and excludes carbon based heating.

## 2.12 **Energy Company Obligation (ECO4)**

Under the Energy Company Obligation (ECO) 'Help to Heat' scheme energy suppliers/installers are able to offer grants. One way to do this, is to use the Council's Statement of Intent The Council uses the Statement of Intent (<https://www.southhams.gov.uk/ReduceFuelBills> ) which sets out the eligibility criteria for households. The key criteria being a gross household income of less than £31,000 and living in a property with an EPC (Energy Performance Certificate) rated D or below. This allows them to install fully funded or subsidised energy saving measures into homes, which have been declared eligible by the Council.

The installers do their own marketing and identify homes that may be eligible, however the Council have asked that they sign a code of practice that includes no cold calling.

## 2.13 **Energy Advice**

The Council is working closely with South Dartmoor Community Energy and Citizen Advice, to offer free and impartial, independent advice from local advisers on how to reduce energy bills and help with heating to struggling households. This will become increasingly more important as the energy cap rises and household bills start to go up. We will ensure that access to this service is heavily promoted as part of our response to the cost of living.

## 2.14 **Minimum Energy Efficiency Standards (MEES)**

The purpose of this work is to raise energy efficiency standards in the private rented sector by engaging with landlords, making them aware of the requirement to comply with the set standards for energy efficiency in the properties that they rent. The Council is working with Tamar Energy Community to contact all non-compliant properties households identified in the Governments Energy Performance Certificate (EPC) database. All rental properties must be rated E and above unless properly exempted. The landlords are given initial advice on how to become compliance with the regulations. Formal action will be taken against non-compliant landlords who are not willing to undertake the necessary work.

## 2.15 **Energy Efficiency Loans**

The council can offer loans for households for energy efficiency measures. Households can apply through the Council loan partner Lendology. Also, households can get a 0% loan to buy bulk fuel (Oil, LPG, solid fuel).  
<https://www.lendology.org.uk/loans/energy-efficiency-loans/>

The Council established a loan pot a number of years back with a grant from Government and, when able, adds to the pot from the

Better Care Fund allocation it receives each year. The loans are repaid into the pot to enable further lending.

2.16 It is worth noting that all measures being funded by Government grants now have to meet minimum design and installation requirements. Therefore, any proposals/designs need to be signed off by an appropriately qualified person in energy efficiency retrofit.

2.17 Links to additional information on all these grants may be found here; <https://www.southhams.gov.uk/ReduceFuelBills>

### **3. Outcomes/outputs**

#### **3.1 Green Home Grants phase 1**

So far 74 Grants approved totalling £ 789,502 of the £1,025,250 originally awarded.

- 14 Air Source Heat Pumps
- 50 Solar Panels
- 7 Insulation
- 3 Storage heater upgrades

#### **3.2 Green Home Grants Phase 2**

So far £658,182 has been spent on 108 installations within the South Hams area.

- 69 Solar Panels
- 10 Insulation
- 2 Internal wall insulation
- 1 Heat Pump
- 10 Extra ventilation
- 16 Storage heater upgrades

#### **3.3 Green Homes Grant Phase 3 - Home Upgrade grant (Sustainable Warmth)**

This project is at the initial stages and marketing has been undertaken through the Cosy Devon website. Applicants are getting initial assessments from the community energy groups who have been engaged. <https://www.cosydevon.com/>. An update on spend will be provided at a later date.

#### **3.4 MEES (Minimum energy efficiency standard)**

All landlords of G rated properties have been contacted and we are currently looking at the responses received regarding their intentions. An assessment of what further action by the Council is

necessary, if any, will follow. A final report will be submitted at the end of the project.

#### **4. Options available and consideration of risk**

- 4.1 The schemes listed in the report are not mandatory. To not engage in the schemes would mean that our residents would not benefit from the help that has been made available.
- 4.2 The Council can continue with its existing resource to explore and administer help to households.
- 4.3 The Council will also need to be realistic in its ambition around energy efficiency help as we have found through the projects that measures are expensive and retrofitting existing homes is a challenge in both the design requirements and the types of housing for example solid wall and small rooms are a particular challenge.

#### **5. Proposed Way Forward**

- 5.1 There is a new round of funding for Home Upgrade Grant opening in Autumn, the Council will consider an application into this fund.
- 5.2 To continue to work closely and in partnership with the community energy groups and explore ways to reach even more households.
- 5.3 To work closely with ECO4 installers so that residents can access funding.
- 5.4 To complete the MEES (Minimum energy efficiency standard) Project.
- 5.5 To explore further funding partnerships/funds and opportunities to take action to tackle the cost of living for our residents through upgrading the energy performance of their homes.
- 5.6 To measure the impact of the installations/measures against the Council's wider climate change aims.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Home Energy Conservation Act 1995 (HECA) requires all local authorities (LAs) in England to submit reports to the Secretary of State demonstrating what energy conservation measures they have adopted to improve the energy efficiency of residential accommodation within that LA's area
Financial implications to include reference to value for money	Y	The schemes identified within this report are delivered through external grant awards. There are no further financial implications arising.
Risk	Y	The risk of submitting poor returns to the Secretary of State is that the Council may be criticised for its lack of action in dealing with poor energy efficiency.
Supporting Corporate Strategy	Y	Housing and Climate Change and Biodiversity.
Climate Change - Carbon / Biodiversity Impact	Y	Contributes to the Climate Change plan through action 1.2 of the action plan by; a. Raise awareness for grant schemes and the Solar Together scheme as part of a Climate Change communication strategy involving newsletters, web and social media. b. Continue to administer funding as and when it arises.
Consultation and engagement		Consultation has not been undertaken with residents however there has been engagement with delivery partners – such as community energy groups – to help target support and maximise uptake.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N/A	The qualifying criteria for the grants is set by Central Government policy to benefit those on a lower income and living in low efficiency homes.
Safeguarding	N/A	There are no safeguarding implications from this report
Community Safety, Crime and Disorder	N/A	There are no implications from this report
Health, Safety and Wellbeing	N/A	The improvement in housing stock facilitated by the grants mentioned within this report will have a positive impact on the health, safety and wellbeing of the occupants



Other implications	N/A	
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Appendices: None

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Report to: **Executive**  
Date: **15 September 2022**  
Title: **Homes for Ukraine**  
Portfolio Area: **Cllr Judy Pearce (Leader & Lead Member for Homes)**

Wards Affected: **All**

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

Date next steps can be taken:

Author: **Isabel Blake & Neil Hawke** Role: **Joint corporate leads on Homes for Ukraine**

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[Neil.Hawke@swdevon.gov.uk](mailto:Neil.Hawke@swdevon.gov.uk)

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## **Recommendations:**

### **That the Executive:**

- 1. note the progress the Council has made under the Homes for Ukraine scheme**
- 2. support the Leader writing to the Minister for Refugees urgently seeking clarity of the future of the Homes for Ukraine scheme and requesting a more permanent solution; and**
- 3. note the significant contribution our, hosts, voluntary and community sector have already played in welcoming Ukrainian guests to the area.**

## **1. Executive summary**

- 1.1 This report provides an overview of how the Council is responding to the needs of people escaping the War in Ukraine and our role in not only delivering the Homes for Ukraine scheme but wider support to other Ukrainian people settling in the District.
- 1.2 The Council responded quickly and positively to ensure there were no barriers to people arriving and both they and their hosts received the support they needed to access funding, benefits and help when needed with housing. To date we have welcomed 155 Ukrainians to South Hams in 66 family groups

- 1.3 Whilst we have been able to successfully welcome a number of households, there are mounting concerns about the risks of placement breakdowns and the pressures on the Council in performing its statutory homeless duties if alternative rematched placements cannot be found. The challenges Ukrainian people are also seeing in attempting to resolve their own housing need and the effect the housing crisis is having on available options for everyone means there is a lack of affordable options anywhere in the District.
- 1.4 This report also informs Members of the work we are doing with Team Devon to seek joint solutions to some of the issues surrounding placement breakdown.

## **2. Background**

- 2.1 Following the Russian invasion of Ukraine in February 2022, the Government (in response to overwhelming public support), launched the Homes for Ukraine scheme. The scheme opened for applications on the 18<sup>th</sup> March. This is a sponsorship scheme for individuals or households fleeing from Ukraine who had named people in the UK willing to sponsor them for a minimum of 6 months. In reality, this was not through known acquaintances and friends, and most were arranged through social media pages, where willing sponsors could connect with potential guests and take the process through the visa application together. There have been other schemes such as the family sponsor scheme which have brought other people into South Hams however the involvement of the Council has been limited in most cases to the Homes for Ukraine Scheme.
- 2.2 As of the 26<sup>th</sup> July 119,000 visas have been issued nationally. There now 1,345 arrivals in Devon, of which there are 155 individuals across 66 family groups in South Hams (there are currently no unaccompanied minors in the County) data correct as of 12<sup>th</sup> August 2022
- 2.3 Devon Districts and the County Council have worked together on the Homes for Ukraine scheme since March and continue to do so. All Councils are concerned about the likelihood of placement breakdown and the pressures this puts on housing advice teams with the availability of housing in acutely short supply and are considering ways we might respond to the challenge collectively. Further details of this will provide part of the regular update to Members through their Friday bulletins.
- 2.4 As we saw through the Covid-19 pandemic, our communities have rapidly and successfully stepped up to deliver a wide range of community support

## **3. Support already implemented**

- 3.1 Under the Homes for Ukraine Scheme, each individual arriving attracts a funding allocation of £10,500. The County has retained £4,200 of this money with the remaining £6,300 available to District Authorities to fund activity to support the scheme. This funding has so far been used to fund staff resource to undertake welcome visits and property checks, leisure passes

and individual items such as car seats and transport. It is anticipated that a significant proportion of this funding will need to be used to fund temporary accommodation placements or incentives to private landlords as placements begin to breakdown and alternative accommodation options need to be found.

- 3.2 Initially the Council's role was to arrange and carry out home visits with potential hosts to check the suitability of the accommodation. The County Council arranged safeguarding checks and co-ordinated the data on potential arrivals. Due to early challenges with the available data from the Government, there were some cases where the guests had already arrived prior to checks and visits.
- 3.3 Utilising systems it had deployed for the business support grants, the Council has been able to implement processes to issue welcome payments to each guest (£200 each) and to automate the £350 host thank you payment each month. This has meant that financial hardship has been mitigated as much as possible by quick payment to both hosts and guests.
- 3.4 Wider wrap-around support has been commissioned from both the Citizens Advice Bureau ("CAB") and the Council for Voluntary Sector ("CVS") who have supported us in responding to service requirements. The CAB is providing support to individuals (Hosts and guests) who require support in claiming benefits, jobs, childcare, and immigration enquiries and the CVS have supported with arranging community events and supporting volunteers and support groups.
- 3.5 Due to the volume of guests arriving and the expectations of Government that each guest receives three 'Welcome Visits' it has been necessary to create a shared project team with West Devon (where we are currently supporting 139 guests over 51 groups) to ensure that we are as effective as possible to meeting the needs of hosts and of guests. There are 5 members of staff within this team, 3 of which started on the 5<sup>th</sup> September with overall project leadership from the Head of Housing and Head of Strategy. Collaboration between the project team and the housing options team will become more closely linked because of the risks of homelessness and placement breakdown representing key challenges for the scheme.
- 3.6 The Voluntary and community sector has again stepped up and played a significant role in addressing the challenges. Individuals and organisations across the District have played a huge part in welcoming Ukrainians to South Hams.

#### **4. Challenges**

- 4.1 Hosts who signed up to the Homes for Ukraine Scheme were asked to commit to a period of at least 6 months, so by its very nature the scheme was temporary and offered no permanent solution. The first of our placements come to the end of that time this month. We are working with hosts to better understand the likelihood of

placements continuing after the initial 6 months. Hosts at this moment can continue to receive the thank you payment for 12 months, however any further advice from Government has not been finalised. Anecdotally we are aware there are hosts who are unable to continue over the 6 months.

- 4.2 Placement breakdown is a significant risk, and it is important that we remain vigilant and responsive to hosts and guests asking for help, hence the significant staff resource we have invested in supporting the scheme. A need to continue with good rematching options, avoid use of temporary accommodation wherever possible and support with other housing options will be key objectives of the Homes for Ukraine delivery team.
- 4.3 There have already been 3 placement breakdowns in South Hams, 1 of which has required temporary homeless accommodation before rematching options were found. Temporary accommodation is already under significant pressure at this time of year, so placements have been out of area in 2 of these cases. The Council has statutory homeless duties towards anyone on either the Homes for Ukraine Scheme or any other sponsorship scheme in relation to placement breakdown. Whilst costs can be recovered from the Homes for Ukraine funding, the availability of suitable accommodation in the right location is the biggest challenge.
- 4.4 Whilst initial arrivals have slowed, we are still seeing on average 1 new household a fortnight. We have also received out of area placement rematch requests.
- 4.5 Whilst funding can continue to hosts for 12 months, there remains a lot of uncertainty about how we can keep hosts engaged with the scheme and continuing with the placements. The cost of living and rising energy bills is likely to be further cause for concern as the £350 thank you payment may not be enough to counteract the increase in costs.
- 4.6 The previous Minister for Refugees (Lord Harrington) had indicated his wish for the monthly host 'thank you payment' to be increased from £350 to £700 in recognition of the increasing cost of living being seen at this time. We would support this proposal and encourage Government to implement this enhancement to the current support package as soon as possible.

## **5. Options available and consideration of risk**

- 5.1 That the Council continues to resource appropriately the Homes for Ukraine support team and continues to take early intervention to prevent placement breakdown wherever possible
- 5.2 That the Council continues to assess the impact of the support the CAB and CVS can offer to ensure value for money
- 5.3 That we continue to work as part of Team Devon on holistic solutions to placement breakdowns on a large scale
- 5.4 That the Leader writes to the Minister for Refugees to lobby for the need for more information regarding the future plans for the Homes for Ukraine Scheme.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Council has made a commitment to the Homes for Ukraine Scheme, and it is an expectation of Government that we adhere to the scheme framework, and that funding is used to resource the support required to manage the scheme successfully.</p> <p>The Council has statutory duties under homelessness legislation which has been amended to include specifically people who are residing in England under the Homes for Ukraine Scheme.</p>
Financial implications to include reference to value for money		<p>The Council currently receive £6,300 for each guest and the County retains £4,200 as a reserve. It is expected that all funding associated with the scheme is accounted for through this funding. The £350 host thank you payment is in addition to this funding. South Hams has salary commitments of approximately £124,135 (60% of 1 x Level 5, 1 x Level 6 for 12 months and 60 % of 3 x Level 7 for 6 months.)</p> <p>South Hams has also committed costs to the CAB to deliver services to individuals of £14,800 and the CVS of £20,625 to deliver support services to groups and hosts.</p> <p>Funding will likely continue to be spent in increasing numbers on temporary accommodation top up costs, incentives to private landlords and resettlement packages</p>
Risk		<p>The Council has declared a Housing Crisis and recognised the significant difficulty in finding accommodation in the District. It is therefore a significant risk that rematching opportunities will not be found for placements that breakdown and the Council may be required to place in temporary accommodation for significant periods of time. Whilst the cost of this is one factor, there are other concerns including the challenges with finding temporary accommodation or rematch placements close to where people may have their children in school, have work or training requirements or receive support. It should not be forgotten that these are people who have fled their County</p>

		because of the invasion and no doubt some will have significant trauma attached to this. A further placement breakdown may have further effects on their wellbeing. Whilst the Council will seek to avoid placements that might be deemed unsuitable it is inevitable that some people will be placed in temporary accommodation some distance from their support networks.
Supporting Corporate Strategy		Homes Council Services Community Wellbeing
Climate Change - Carbon / Biodiversity Impact		No direct carbon/biodiversity impact arising from the recommendations
Comprehensive Impact Assessment Implications		
Equality and Diversity		We will continue to monitor this impact
Safeguarding		We continue to work closely with our colleagues in children and adult services to address any safeguarding concerns
Community Safety, Crime and Disorder		We will continue to monitor this impact
Health, Safety and Wellbeing		We will continue to monitor this impact
Other implications		

**Supporting Information**

**Appendices:**

None

**Background Papers:**

None



Report to: **Executive**

Date: **15 September 2022**

Title: **Cost of Living Crisis**

Portfolio Area: **Cllr Judy Pearce  
Leader**

Wards Affected: **All**

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

Date next steps can be taken:

Author: **Isabel Blake and Ian Luscombe** Role: **Head of Housing and Head of Environmental Health**

Contact: [isabel.blake@swdevon.gov.uk](mailto:isabel.blake@swdevon.gov.uk) and [ian.luscombe@swdevon.gov.uk](mailto:ian.luscombe@swdevon.gov.uk)

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## **RECOMMENDATIONS:**

### **That the Executive:**

- 1. nominates Cllr Hopwood to be appointed as the Council's lead Member to respond to the cost of living crisis;**
- 2. requests that the Council mobilises its resources and works with partners to ensure a responsive, co-ordinated approach to the cost of living challenges faced by residents; and**
- 3. instructs the Leader of Council to lobby Central Government to substantially increase the funding it is providing to address the cost of living crisis, including supporting the Local Government Association in its call for a solution to address the cost of living crisis to reduce the need for emergency support.**

## **1. Executive summary**

- 1.1 In September 2021, the Council unanimously adopted its Better Lives for All Strategy, focused on supporting our communities to recover from a global pandemic.
- 1.2 The strategy includes specific actions to address economic, wellbeing and environmental impacts known at the time. The

strategy could not however have predicted the significant increases in the cost of living currently impacting all our residents.

- 1.3 This report considers the support the Council has already put in place and sets out proposed further steps that we take in ensuring our residents are supported over the coming months.

## **2. Background**

- 2.1 The dramatic increase in the cost of living is beginning to have a significant impact on residents across the district. Price rises driven by energy price increases will already have impacted on most households.
- 2.2 On 1 April 2022, the energy price cap was increased by 54%. A further significant increase, in the order of 80%, has announced for October and further increases expected in January 2023. This will amplify the challenges our residents face through Autumn and Winter.
- 2.3 Some estimates suggest that following the predicted October 2022 increase in prices, as many as half of all households nationally will be paying more than 10% of their income on energy, which is an established indicator of fuel poverty.
- 2.4 Inflation reached a 40-year high in August at 10.1% and is forecast to increase further in the coming months. In turn, this will likely result in an increase in interest rates.
- 2.5 Against a backdrop of recovering from the financial and health impacts of a global pandemic, this is likely to further increase inequalities and disproportionately affect the District's most deprived communities.
- 2.6 In September 2021 the Council adopted its Better Lives for All strategy setting out our priorities for supporting all residents. It is now clear that the actions within the plan will not address the imminent threat and we therefore need to take further, urgent steps and lead a district wide approach to supporting our residents.

## **3. Action we have already taken**

- 3.1 As through the Covid pandemic, the Council has been quick to respond to supporting our residents both with local support and in progressing Government support packages.
- 3.2 Quickly processed Government energy bill rebates of £150 through Council Tax with 18,011 of eligible households now having received payments totalling over £2.7m
- 3.3 Launched a discretionary Council Tax rebate scheme for those households not eligible for the main scheme. This has seen a further £10,950 of grants paid out to date to 73 households.
- 3.4 Launched a Household Support fund to provide rapid, short-term financial support to meet immediate needs with food, energy or water bills and other essentials.
- 3.5 Promoted a Devon County Council scheme for continue with free school meals throughout the summer holidays

- 3.6 Made a one-off payment of £90 to householders of state pension age who are already in receipt of council tax reduction, seeing 2,360 residents supported.
- 3.7 Promoted schemes that will increase the longer-term energy efficiency of properties within the district (as set out in the Housing report on the Executive agenda today)

**4. Recommended next steps**

- 4.1 It is realised that our role in providing direct support in response to the cost of living challenges is limited, however there is a clear community leadership role in co-ordinating partners and ensuring that we highlight all available support to residents.
- 4.2 It is proposed that we immediately lobby Government to highlight the challenges that our community face and to seek support for, for example, residents and businesses impacted by the rises in energy costs and to secure more funding to improve and future proof our housing stock.
- 4.3 As through the Covid-19 pandemic, the Council stands ready to support the Government in delivery of any further support to residents and will realign resources to prioritise this work.
- 4.4 It is recommended to designate a senior officer to work with the Lead Member, Cllr Hopwood, on developing our response and overseeing its implementation.
- 4.5 This report sets out an initial framework for our response (Appendix A), this continues to develop as more information is known. It is recommended to work with partners to further build on this as a matter of urgency. The detailed response plan will then be considered by the Executive at their next meeting on 13 October 2022. In the interim, Officers will continue to support the Lead Member in taking all appropriate action to provide support.
- 4.6 It is also recommended that the Council join the Local Government Association in lobbying Government and local MP’s for both urgent additional support for residents in meeting the current forecast energy price increases but also for longer term solutions to the cost of living and addressing UK energy security.

**5. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	N	There are no direct legal / governance implications
Financial implications to include reference to value for money	Y	The Council will work with partners to develop a comprehensive and joined up response to supporting our residents in respect of the increasing cost of living. While there are no direct financial implications as a result of this report, the further update in October is likely to require some finance to support our response.

Risk	Y	<p>The most significant risk arises if we do nothing. This report sets out proposals for a co-ordinated response to the cost of living in order to address this risk.</p> <p>There is also a risk that significant resource will be required to deliver and co-ordinate this response. This will be quantified in the next report.</p>
Supporting Corporate Strategy	Y	Community Wellbeing, Homes, Council Services
Climate Change - Carbon / Biodiversity Impact	Y	No direct impacts although the longer-term solutions that we will lobby Government for include the de-linking of energy costs from renewable energy from non-renewables, therefore reducing the cost of energy supplied through renewable sources.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	Y	All residents will be impacted as a result of the Cost of Living however there will be a disproportionate impact on those lower income families who have less scope to adapt to the increasing cost of living.
Safeguarding	Y	It is possible that as financial pressures increase on families, instances of family breakdowns could increase. A co-ordinated plan will ensure partners work together to minimise the impacts.
Community Safety, Crime and Disorder	Y	Ensuring that we do all we can to support our residents will reduce the risk of increased crime and disorder.
Health, Safety and Wellbeing	Y	It will be important that the Council does all it can to support our residents. Having a co-ordinated plan, we will work with partners to de-stigmatize getting help when needed, ensure that residents know where to go for help and use data to give us a good understanding of the impacts.
Other implications	N	

**Supporting Information**

None

**Appendices:**

Appendix A: - Framework for Financial Wellbeing Plan

**Background Papers:**

None



South Hams  
District Council



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# Financial Wellbeing

*Our response to the Cost of Living Crisis*

# What we know



17% of Devon Households experiencing food insecurity in 2021\*



54% Increase in energy prices with a further £1,578 increase in the cap from October 2022



Inflation at 40 year high with further increases due



x% of properties already in fuel poverty



# Aims of our Financial Wellbeing Plan

To achieve a financially inclusive South Hams, where residents have access to a range of appropriate financial and money advice as well as the knowledge, skills and confidence to maximise their own financial wellbeing.

We'll do this by

Page 107

Enabling and empowering partners and other stakeholders to work together in delivering financial support and guidance that meets the needs of our residents

Taking a strategic approach to our communications, promoting awareness of support available from different organisations

Providing a clear structure to support our plan, ensuring lead officers co-ordinate resources from across the Council to achieve our aims

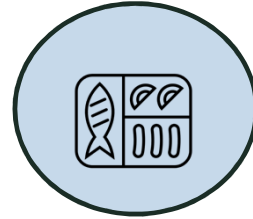
Identifying any gaps in existing provision and developing proposals to meet those needs



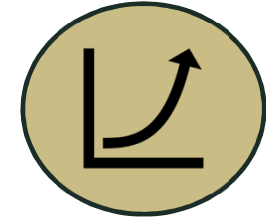
# Workstreams



Financial Independence and behaviour change



Tackling food and rural poverty



Maximising money and security

Green text indicates immediate priorities

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Level control

Direct control of Council

Joint with partners

Influencing / Enabling

	Develop financial capability	Provision of money advice	Accessing financial products	Addressing fuel inequality	Access to low-cost nutritious food	Home and Income Security
		Training for staff in order to meet needs				Maximising income for households through promotion of available benefits and identifying gaps in current emergency funding schemes
	Unplanned events support	Quality assured debt advice		Supporting people in crisis	Access food in crisis	Support to maintain tenancies / homes
	Every day living support		Affordable Credit Savings Facilities Insurance Cover Bank Accounts	Tackle causes of fuel poverty	Joined-up system of food networks in each community	Stable employment opportunities



South Hams  
District Council



Better lives for all



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of the Local Government Act 1972.

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