

# Report from your District Councillors for Annual Parish Meeting 2026



## Local Government Reorganisation

If the Government proceeds with its intention to reorganise the Local Government structure in Devon, South Hams Council will cease to exist in two years' time.

The local elections for South Hams due in May 2027 will be cancelled, and replaced with elections at that time for Members to a new Shadow unitary authority, which will steer the reorganisation locally before taking over all the functions of the County and District councils at the end of April 2028.

A statutory consultation by the Government, seeking views of individuals and interested parties on proposals for the shape of those new authorities finished on March 26<sup>th</sup>. Five different proposals were made by councils or groupings of councils.

South Hams Council strongly supported the proposal put forward by itself, together with West Devon Borough and Teignbridge District Councils for three Unitary Authorities. These would comprise:

- **Exeter and Northern Devon Unitary:** East Devon, Exeter, Mid Devon, North Devon and Torridge
- **Plymouth** to remain unchanged
- **Torbay and Southern Devon Unitary:** South Hams, Teignbridge, Torbay and West Devon

South Hams gave some support to a variation of this proposal put forward by the remaining District Councils in Devon. This includes a request to split existing district council areas between the proposed new councils. These would comprise the current areas of:

- **Exeter and Northern Devon Unitary:** East Devon, Exeter, Mid Devon, North Devon, and Torridge
- **Plymouth Expanded:** Plymouth plus parts of the parishes of Bickleigh, Brixton, Shaugh Prior and Sparkwell from the neighbouring district of South Hams

- **Torbay and Southern Devon Unitary:** Remaining parts of South Hams, Teignbridge, Torbay and West Devon

South Hams strongly opposed the three other proposals.

Devon County Council proposed 3 unitary councils. These would comprise the current areas of:

- **Devon Unitary Council:** East Devon, Exeter, Mid Devon, North Devon, South Hams, Teignbridge, Torrridge and West Devon
- **Plymouth** to remain unchanged
- **Torbay** to remain unchanged

Exeter City Council and Plymouth City Council proposed 4 unitary councils. This includes a request to split existing district council areas between the proposed new councils. These would comprise the current areas of:

- **Exeter:** Exeter plus 15 parishes from within Teignbridge District Council, 28 parishes from within East Devon District Council and 6 parishes from within Mid-Devon District Council.
- **Plymouth:** Plymouth plus 13 parishes from South Hams
- **Torbay:** Torbay plus 22 parishes from within Teignbridge District Council and South Hams District Council.
- **Devon Coast and Countryside:** The rest of Devon, including the parishes in the South Brent Ward of South Hams

Torbay Council proposed 4 unitary councils. This includes a request to split existing district council areas between the proposed new councils. These would comprise the current areas of:

- **Exeter Council:** Exeter plus 15 parishes from within Teignbridge District Council, 28 parishes from within East Devon District Council and 6 parishes from within Mid Devon District Council
- **Plymouth Council:** Plymouth plus 13 parishes from South Hams
- **Rural Devon Coast and Countryside Council:** The rest of Devon
- **Torbay Council** to remain unchanged

The Government is expected to announce its decision in the coming Summer, but it might also ask Devon councils to confer together to refine one or more of the options.



## Government cuts funding for SHDC

The Government's "Fair" Funding Review has seen the Council fall into the category of being the worse impacted in the country, where only 95% of the Council's previous levels of funding have been guaranteed by the Government in 2027/28 and 2028/29. This is a reduction in Government funding of £2.671m in 28/29 for example – a 41% reduction. The Council is currently forecasting a £2.65m budget gap by the following year, 2027/28. The cumulative aggregated Budget Gap by 2028/29 is £6.96m, if no action has been taken in each individual year to close the budget gap annually.

### IMPACT OF THE "FAIR" FUNDING REVIEW:

- The three year finance settlement for 2026/27 to 2028/29 was announced in Parliament on 17th December 2025. This has seen the introduction of the Government's "Fair" Funding Review 2.0, alongside a reset of the business rates baseline and the cessation of the New Homes Bonus scheme.
- The Council falls into the category where only 95% of its previous levels of funding have been guaranteed by the Government in 2027/28 and 2028/29 – this is the category most impacted by the "Fair" Funding Review. This is a real terms decrease and means the Council will receive no additional funding for inflationary pressures or higher levels of service demand.
- This reduction in Government funding is from £6.482m in 25/26 to £3.811m in 28/29. This is a reduction in Government funding of £2.671m (a 41% cut). This is a substantial reduction and is the real impact of the Government's new "Fair" Funding Review. Shire Districts are the worse impacted category of Councils. Core Spending Power is 'cash flat' at £15m for both 2027/28 and 2028/29.
- Remoteness has been removed from all of the Area Cost Adjustments (ACA), with the exception of Adult Social Care. This was a last minute change to the funding formula by the Government. As a sparsely populated area with large travel distances, taking away the remoteness factor has impacted on South Hams quite heavily as it disadvantages more rural and remote Councils. The other changes that have significantly impacted South Hams are -
  - The weighting in the funding formula for visitor and commuter population has been reduced relative to the weighting for permanent residents. This disadvantages areas with a high concentration of tourists and

commuters. So this significantly disadvantages South Hams. The visitor economy for South Hams is a significant cost.

- The separate funding formulae for coastal protection and flood defence have been removed – so again South Hams loses out.
- The Fixed Cost Adjustment has been removed (this is the cost of a Council opening its doors – this fixed cost adjustment used to recognise that there is a minimum cost of running any Council). *Analysis by Pixel Financial Management shows that rural authorities have suffered the biggest losses in funding in the 3 year finance settlement in terms of Core Spending Power and government funding changes over the next three years.*



- The net result is that Core Spending Power – the amount the Government states is available to Councils for the coming year (including a 2.9% Council Tax increase – has fallen by 0.6% for SHDC. *In contrast it has risen by 5.3% for Shire Counties, 6% for London Boroughs, and 7.5% for Metropolitan Districts.*

- The Council has submitted a consultation response to the Local Government Finance Settlement. In particular, the Council's response focusses on the fact that the separate funding formulae for coastal protection and flood defence should be reinstated, the remoteness factor should be reinstated and the weighting should not be reduced in the funding formula for the visitor and commuter population. The Council's response also highlights that there is a technical error in the council taxbase growth assumptions with regards to the second homes premium which is already within the 2025/26 Taxbase'
- The Executive is recommending an increase of the maximum of 2.99% in Council Tax for the coming year. This equates to a rise of £5.88 per year or 11pence per week for a Band D property. The Government's calculations of spending power for the authority assumes Council Tax will rise by this amount.

## **Storm response**

Our officers have been working closely with the Environment Agency and Devon County Council, to deal with damage caused by strong winds and waves to the A379 road and one of our carparks at Torcross in February. Properties there have also been damaged - delivering another blow to the area after Storm Ingrid. We continue to work with our partners to carry out further investigations and work out what next steps are available to us. We are doing what we can to keep our communities safe and we thank our residents for their patience while this essential work takes place.

