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Dear Member

ADJOURNED COUNCIL - THURSDAY, 11 FEBRUARY 2016

I am now able to enclose, for consideration at the Thursday, 11 February 2016 adjourned meeting of the Council, the following reports that were unavailable when the agenda was printed.

Yours sincerely

June Gurry
Clerk

Meeting: Council Date: 3 February 2016

Wards Affected: All

Report Title: Revenue Budget Proposals 2016/17

Executive Lead Contact Details: Mayor@torbay.gov.uk

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1. Purpose and Introduction

1.1 The Council has a statutory responsibility to set a budget each year. By setting and approving the net revenue budget for 2016/17, the budget allocations proposed and the expenditure undertaken will be used to achieve a range of objectives across a number of plans within the Council. This will meet the aspirations of the Bay as expressed within the Corporate Plan and other related strategies.

1.2 In accordance with the Council's constitution, Members are being asked to either confirm their agreement to the recommended budget or put forward objections, and then amendments for consideration at future meetings.

1.3 In addition to setting the budget, the Chief Finance Officer must declare the budget is robust and this report sets out this opinion.

2. Proposed Decision

2.1 That it be recommended to Council:

(a) that the net revenue expenditure and council tax requirement for 2016/17 as shown in paragraph 3.3, that includes the funding raised by the 2% council tax increase specifically for adult social care, be approved;

(b) that in relation to 2.1(a) above Council confirms its commitment (by a statement signed by the s151 officer) to allocate the additional funding raised by the 2% council tax increase to adult social care in 2016/17 and in future years.

(c) that the 2016/17 allocation of the revenue budget to services as per the budget digest and the associated fees and charges (both circulated separately) be approved;

(d) that the Dedicated Schools Grant be used in accordance with the nationally laid down Schools Financial Regulations (para 11) and that the Chief Finance Officer be authorised to make amendments as required when the final figures are confirmed and this authorisation

be included in the officer scheme of delegation.

(e) that in accordance with the requirement of the Local Government Act 2003, to consider and note the advice given by the Chief Finance Officer with respect to the robustness of the budget estimates and the adequacy of the Council's reserves (para 12);

(f) that Council approve the temporary use of £2.5m from the Insurance Reserve in 2015/16 to fund the projected 2015/16 overspend, which is to be repaid from the 2016/17 budget.

(g) that Council note that Brixham Town Council have yet to set their budget for 2016/17 and this precept, when known, will be included as part of the Torbay Council budget for Council Tax setting purposes.

(h) that, subject to clarification of the acceptance process from DCLG, that Council delegate acceptance of a four year funding settlement for Revenue Support Grant to the Chief Finance Officer in consultation with the Mayor and Executive Director of Operations and Finance;

(i) that, the Review of Reserves 2016/2017 as set out in the submitted report attached at appendix 3, be approved; and

(j) that, the Treasury Management Strategy 2016/2017 (incorporating the Annual Investment Strategy 2016/2017 and the Minimum Revenue Provision Policy 2016/2017) as set out in the submitted report attached at appendix 4 be approved.

3. Reason for Decision

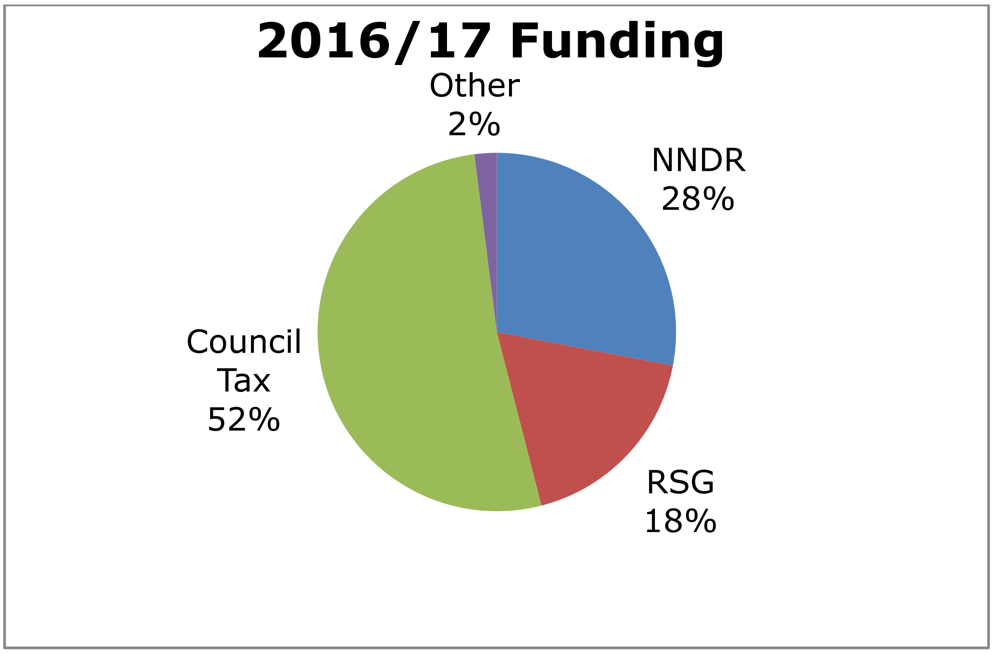
3.1 The Council has a statutory responsibility to set a revenue budget each year.

3.2 The budget proposals result in a 3.99% rise in the Torbay Council share of the Council tax bill in 2016/17 of which 2% is specifically to fund adult social care.

3.3 The Revenue Budget for 2016/17 is summarised as follows:

	2016/17	
Mayor's Budget Proposal:	£'000	£'000
Net Revenue Expenditure	107,967	
Adult Social Care funded from 2% Council Tax	1,089	
Total Net Revenue Expenditure		109,056
Funded By:		
Business Rate Retention Scheme	30,749	
Revenue Support Grant	20,055	
Other Grants	500	

		51,304
Council Tax Requirement	56,631	
Collection Fund - NNDR/Council Tax	1,121	
		57,752
Total Income		109,056



4 <u>Contents</u>

4.1 This budget report contains the following sections:

Section	Heading
5	Budget Overview 2016/17
6	Updates to November 2015 Budget Proposals
7	Corporate Peer Review (by Local Government Association)
8	Future Actions – Four year Efficiency Plan
9	Council Funding in Longer Term Future
10	Revenue budget for 2016/17
11	Dedicated Schools Grant
12	S151 officer statements
13	Update on the financial position within Children's Social Care.

14	Update on the financial position within Adult Social Care.
15	Funding Settlement – December 2015
16	Risk and mitigation
17	Estimation of Collection Fund Surplus/Deficit (Council Tax and National Non Domestic Rates - NNDR)
18	Council Tax and Referendum Limits
19	Better Care Fund
20	List of Appendices

4.2 This report covers the Revenue Budget 2016/17. Other budget related reports being presented to Council alongside this report are:

a) 2015/16 Revenue Budget Monitoring Report – Quarter Three

b) 2015/16 Capital Plan Update Report – Quarter three, including Capital Plan 2016/17, Capital Strategy and Asset Management Plan

c) 2016/17 Treasury Management Strategy, including Investment Policy and Minimum Revenue Provision Policy

d) 2016/17 Review of Reserves

4.3 Budget Digest pages, Fees and Charges and updated budget proposals sheets are available separately.

5. Budget Overview 2016/17

5.1. The 2016/17 budget is for the first financial year after the election of the Conservative Government in May 2015. Subsequent government announcements including the four year Spending Review (November 2015) and the provisional Local Government Finance Settlement (December 2015) has confirmed the continuation of the national “austerity” process where local government funding is being significantly reduced as demand for services and service costs continue to rise.

5.2. The Council’s financial planning for 2016/17 started in June 2015 and the Mayor’s provisional budget proposals were published on 6 November 2015 enabling three months for consultation and scrutiny of the proposals.

5.3. The proposals for 2016/17 have required over £10m of additional reductions to achieve a balanced budget. This has required the proposal of a number of tough choices for the Council. The reductions identified for 2016/17 are a good step towards the total estimated reductions required over the next four years, but this is in the context of an a estimated £20m of further reductions to be achieved.

5.4. The proposals have sought to limit the impact of the reductions on the more vulnerable in society and within Children's social care the Council is recommended to invest additional funds for the safeguarding of children.

5.5. To support the tough budget challenges facing the Council it is recommended that Council increases its Council Tax requirement by 1.99%. In addition the Council is recommended to take the option of supporting adult social care by raising the Council tax by a further 2%. The Council tax Freeze grant available in previous years is not an option now offered by central government.

5.6. Members of the Overview and Scrutiny Board (Priorities and Resources) examined the proposals in detail and stakeholders and residents have had the opportunity to make representations on the proposals through the consultation. The Mayor reviewed all of the responses received and the final saving proposals were drawn up after consideration of the responses.

5.7. It is essential that Members consider the 2016/17 budget proposals in the context of the significant future year budget reductions required.

5.8. The provisional Local Government Finance Settlement (17/12/15) for 2016/17 was better than estimated as the reductions in Revenue Support Grant (RSG) have been spread over four years not three. The RSG reduction over four years was £21m less than the MTRP estimate of £24m. In addition the funding for the implications of the Care Act has now been transferred into RSG.

5.9. In accordance with the Council's constitution, Members are being asked to either confirm their agreement to the recommended budget or put forward objections and then amendments for consideration at future meetings.

6. Updates to November 2015 Budget Proposals

6.1 The budget has been updated as the various funding and income streams have been confirmed, such as council tax base (set by Council in December 2015), NNDR income (January 2016), 2% Council tax option for Adult Social Care, Revenue Support grant (announced by DCLG December 2015), Collection Fund Surplus (January 2016) and specific grant allocations (ongoing from December 2015).

6.2 As a result of funding changes and the consultation of the budget the following changes to the November 2015 Budget Proposals have been applied.

	2016/17	
	£'000	£'000
Mayor's Budget Proposal: November 2015		104,552
Funding Changes:		
Revenue Support Grant	2,847	
Final Council Tax Base	385	
2% Council Tax for Adult Social Care	1,089	
Other Funding Changes	183	
Total Funding Changes		4,504
Service Expenditure Changes:		
Repay Reserve re 2015/16 overspend (one off)	2,500	
2% Council Tax - Adult Social Care (base budget)	1,089	
Investment in Transformation (one off)	500	
Investment in Transformation (base budget)	100	
Care Act costs (base budget)	300	
Mayoral Referendum (one off)	85	
Mayoral Revised Proposals (base budget)	73	
New Responsibilities from RSG	10	
Other Service Changes	(153)	
Total Expenditure Changes		4,504
Mayors Budget Proposal: February 2016		109,056

6.3 Since the Mayor's budget proposals were issued on 6th November 2015 the Mayor has considered the views of the community and Members by means of a consultation exercise, the results of the Priorities and Rressources Panel's scrutiny of the proposals, representations from the community and the latest updates of council funding.

6.4 The results of the consultation have been included within each relevant equality impact assessment. These have been circulated separately as part of budget digest.

6.5 The budget proposals issued in November 6th 2015 have been updated for any changes to those proposals. Any new proposals have been included in this report. These have also been circulated separately as part of budget digest. A summary of changes in expenditure and income budgets since the initial proposals are summarised below:

Funding Change	Value £000's	Comment/Proposal
Revenue Support Grant	(2,847,000)	Provisional Settlement (17/12/15) for 2016/17 better than estimated as reductions spread over four years not three, and RSG reduction over four years was £21m not £24m. In addition care act funding is now transferred to RSG.
Council Tax Income	(385,000)	Final taxbase set by Council (5/12/15) higher than forecast primarily due to changes in mix and number of claims for Council Tax Support Scheme
Council Tax Income	(1,089,000)	Provisional Settlement (17/12/15) confirmed option of a 2% increase in council tax to fund adult social care which the Mayor is proposing to Council to accept.
Other Grant and Funding changes	(183,000)	Latest estimates of other grant funding such as Education Support Grant & NNDR.
Sub Total	**(4,504,000)**	
Budget Change	**Value £000's**	**Comment/Proposal**
Contribution to Reserves (one off)	2,500,000	In 2015/16 to use insurance reserve to fund 2015/16 predicted overspend and then repay Insurance Reserve in 2016/17.
Adult Social Care	1,089,000	Allocation of additional 2% on Council tax to adult social care
Care Act costs	300,000	As care act costs now part of RSG, Council needs to budget for its estimated costs in relation to the Care Act in 2016/17
Investment in Transformation	600,000	Linked to a Corporate Peer Review recommendation £100,000 to support the establishment of a transformation team supported by a, one off, allocation of £500,000 to fund transformation initiatives
Mayoral Referendum (one off)	85,000	Cost of mayoral referendum following Council decision
Increase in Car Parking income budget	(25,000)	Increase in Car Parking income budget based on 2015/16 income levels.

Museums	3,000	Proposed reduction to Brixham museum changed by £3,000. (16/17 grant to Brixham to be £13,000 and £37,000 to Torquay). In addition £20,000 for Torquay and £5,000 for Brixham to be transferred from CSR Reserve to a specific Museum reserve to support the self sufficiency of the service in the future.
Harbours	50,000	To accept the proposal of the harbours committee to contribute £147,000 to the general fund rather than the £197,000 proposed.
Torbay Coast and Countryside Trust	15,000	To withdraw the proposed £15,000 reduction in 2016/17
Spatial Planning	10,000	New Council responsibilities for drainage linked to planning and carbon monoxide within Local Government Finance Settlement
Street Wardens	75,000 (50,000)	To provide sufficient funding to enable 4 street wardens to be retained. £50,000 funding in 2016/17 to be transitional pending a review of the service.
Food Safety	0	To replace proposed expenditure reduction in this function by new income streams.
Members Allowances	5,000	To withdraw proposal for an expenditure reduction in harbour and audit committee Special Responsibility Allowances.
Tourism Funding	0	To implement reduction in funding to English Riviera Tourism Company supported by Council decision to provide funding up to £200,000 from reserves to fund ERTC to end of December 2016
Destination Marketing	0	To re allocate proposed budget of £40,000 for the Council's BID levy costs for the proposed TRBID to support destination marketing and any Council bid levy costs on a TBID.
Other Service Changes	(153,000)	Latest estimates of service specific grants, Devon-wide NNDR Pool gain, other NNDR and allocation of balance to Council contingency budget.
Service Changes	**4,504,000**	

6.6 A summary of the budget build for 2016/17 is included in Budget Digest information.

6.7 The Overview and Scrutiny Board have scrutinised the budget proposals over the past three months and have made a number of observations and recommendations. The Mayor has considered these points and a summary of the recommendations raised and responses are listed in the table below:

Issue	Response
That the Council becomes more commercially driven and that it should market itself and its facilities more effectively.	Accepted. Review of Reserves report identified £0.5m for an "invest for income" reserve with the aim of increasing service income and commercialisation of services. In addition the Capital Plan proposes a £10m investment fund.
That the Board is confident that the proposed budget for Children's Services for 2016/2017 is adequate and appreciates that the Director of Children's Services and the Assistant Director – Children's Safeguarding concur that it is adequate. However, the Board still need to see the detail of how it will be achieved and that there is pace of change to ensure that a balanced budget is delivered. The Board will require an update on the financial position when it considers the progress report on the Improvement Plan and will continue to hold the Executive Lead for Children's Services and the Director of Children's Services to account in this regard.	Noted. The Mayor and Executive lead for Childrens and Adults welcomes the support from the Board and Audit Committee.
That robust monitoring of the Integrated Care Organisation be established to ensure councillors can satisfy themselves that performance and budget targets are being met.	Accepted. Regular performance challenge information and review meeting are developing with the new organisation.
That, within the next six months, the Torbay Community Development Trust be invited to a future Councillor Conversation to share its outcomes and how it aims	Accepted

to become self-sustaining.	
That the Council's enforcement regime, as a whole, be reviewed to ensure that the scarce resources are used to best effect and that possible reputational damage is minimised.	Accepted, Officers to be requested to review this issue and report back to the Mayor during 2016 as part of the transformation plans.
That four street wardens be retained with funding being returned to the base budget.	Accepted (in part), For 2016/17 funding provided in budget to employ four street wardens. £50,000 of this funding to be transitional from CSR reserve pending a review of the function.
That the proposal in relation to highways is not implemented and that consideration be given to alternative options for ensuring the long term maintenance of the highway.	Not accepted due to the level of reduction faced by the council in future years. In mitigation the Council will continue to seek funding from other bodies such as the LEP (Western Corridor, Torquay Gateway etc). Similar to the recent prudential borrowing case for street lighting the Council will look to best practice elsewhere to consider a business case for prudential borrowing to invest in road network to reduce future repair costs. The Spending Review stated that there would be £250 million provided for "pothole repair" over the next five years. 2016/17 allocation for Torbay yet to be announced.
That a review of all of the Council's assets (including highways) be brought forward to consider how we best use, utilise and maintain them.	Noted. Council premises budgets were centralised for greater efficiency and prioritisation in 2015/16. In addition capital plan proposes £3m for essential R&M works. Corporate Peer Review action plan includes a review of asset disposals and usage and the Asset Management Plan has an increased focus on the review of the use and disposal of Council assets.
That a review of all of the museums in Torbay be undertaken in the next six months.	Noted. Discussions have started with both museums with the aim of making both self sufficient in future years with transformation funding of £25,000 from the Council. As a result £3,000 increase to the proposed Brixham museum grant in 2016/17.

That a review of how to make a significant reduction in the budget for recreation and landscape be undertaken and that a coherent plan for involving the community in providing the service be implemented as a matter of urgency.	Accepted. For 16/17 budget process all budgets were considered. Some budgets where reductions/income targets were set for 15/16 or where there are longer term contracts were assessed as limited potential in short term for further reductions. However reductions will be brought forward over the next three years.
That further consideration be given to reduce the number of libraries in Torbay in the next six months.	Noted; Future years plans will bring forward proposals for changes to the library service both in terms of its operation and location
That a representative of the Overview and Scrutiny Board attend the newly established monitoring meetings with the Riviera International Conference Centre.	Accepted. Meetings to be arranged by Council's representative on the Board.
That the Comprehensive Spending Review Reserve be replenished to ensure that the costs of exit packages can be met moving forward.	Accepted. Review of Reserves report has a recommendation to that effect.
That the redesign of Beach Services should happen at pace to maximise the income to the Council from these assets.	Accepted.

7 Corporate Peer Review

7.1 The budget proposals now include a number of recommendations as a result of the findings in the December 2015 Corporate Peer Review by the Local Government Association. These include investment in capacity for transformation, investment in training and development of staff and members and an increased focus on income generation. There are a number of other financial recommendations from the Corporate Peer Review report that will be brought forward for approval in the future including a recalculation of the council's annual capital financing costs (MRP policy).

8 Future Actions – Four Year Efficiency Plan

8.1 DCLG, in the provisional local government finance settlement, announced an (optional) four year funding settlement. Councils can accept DCLG's offer of a four year minimum funding settlement subject to Councils having an "efficiency plan". The plan will demonstrate how the council will achieve a balanced budget over the next four years.

8.2 DCLG has yet to announce the process or timescale for Councils to accept the four year revenue support grant settlement. It is therefore recommended that, subject to the clarification of the acceptance process from DCLG, that Council delegate acceptance of four year funding settlement to the Chief Finance Officer in consultation with Mayor and Executive Director of Operations and Finance.

8.3 It is expected that the Council's Medium Term Resource Plan will be expanded to include a summary of expenditure and income proposals for the next four years to form the basis of the 'efficiency plan'. This will inevitably be subject to frequent updates over the four years as ideas and aspirations become proposals prior to approval by Council.

8.4 The Medium Term Resource Plan will be updated by end of March 2016 to include the 2016/17 budget and the latest estimates of future year costs and funding. The provisional local government finance settlement showed a reduction of RSG from a restated 2015/16 figure of £27m to £6m by 2019/20. As a guide, prior to more detailed work being undertaken, it is estimated that between 2017/18 and 2019/20 the Council will require in the region of £19m of reductions to achieve a balanced budget.

8.5 Although there is some certainty over future year RSG allocations there is uncertainty over a number of other elements of council funding in future years. The government has announced its intention to review New Homes Bonus Grant, the introduction of 100% NNDR retention by Councils and potential allocation of new responsibilities to councils, allocation of funds for adult social care in the Better Care Fund and the changes to funding from the 2017 NNDR revaluation process. All of these could impact significantly on future year council budgets.

9 <u>Longer Term Future Council Funding</u>

9.1 It is important for Members to be updated and then consider the potential future funding position for Councils by the end of the current parliament and what actions need to be taken in the short term. Central Government proposals are for Councils to retain 100% of NNDR while removing revenue support grant completely. In addition NNDR income may also replace other grant funding such as public health and housing benefit administration grant.

9.2 The aim is that Councils will then be self sufficient from central government “general” funding with Council funding being council tax and NNDR.

9.3 Councils therefore have a clear incentive that to secure funding for services in the future, there has to be increases in both its council tax base (housing) and NNDR (business).

9.4 This reliance on local taxation as the prime source of funding has risks as the link between a council’s need for funding to provide services (linked to population and demand) and its funding now linked to economic growth may not move in a similar direction. In addition NNDR income is volatile and is, to a large extent, outside a Council’s direct control. For example in 2015 a high court judgement on NNDR for GP surgeries has reduced Councils’ NNDR tax income in 2015/16 and future years. Under 100% NNDR income Torbay Council would have to fund all the cost implications of this judgement over which it had no control.

10 Revenue Budget for 2016/17

10.1 Council are being asked to approve a figure as the total net revenue budget for 2016/17 and the budget that will be required to be funded from Council tax. The value of Council tax required which will result in a rise in the Torbay element of the Council Tax of 3.99% is £56.631 million. A 3.99% rise will increase the Band D Council Tax in Torbay by £50.32 (of which the 2% rise for adult social care is £25.22).

10.2 When the Council formally sets the Council tax, the Council's budget has to include the budget for the Brixham Town Council (due to be confirmed 18th February 2016). The value of this precept will be included as part of the Torbay Council budget for Council Tax setting purposes.

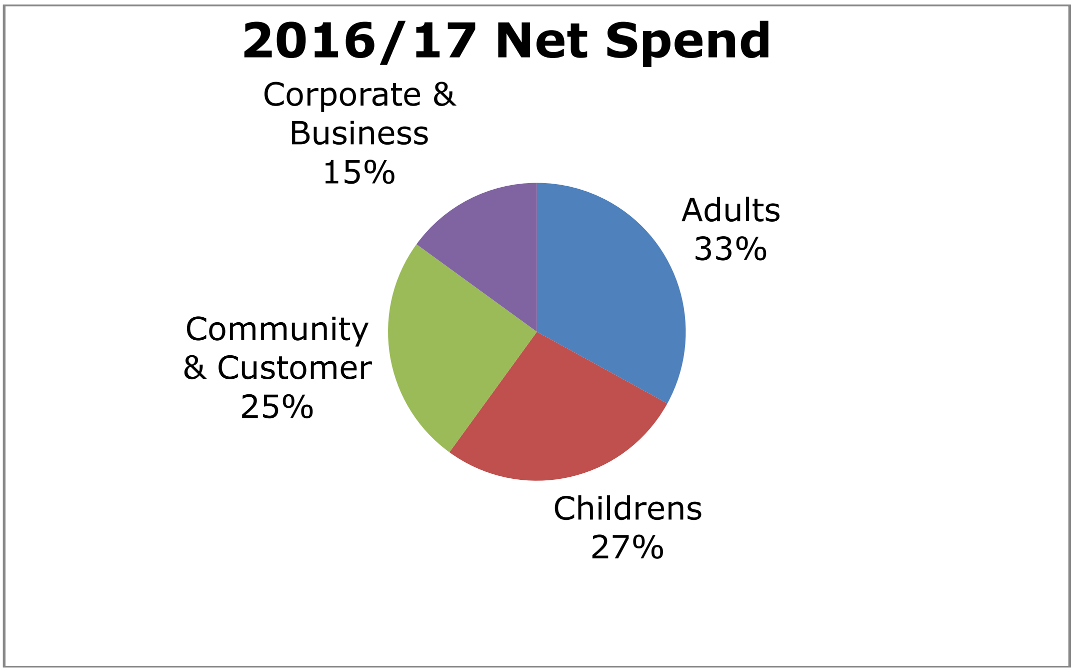
10.3 The Council is being asked to approve the allocation of the 2016/17 revenue budget to individual services as identified in the "budget digest" pages circulated separately.

10.4 The allocation of budget to services is a key part of the council's financial control arrangements. The Financial Regulations in the Constitution govern any subsequent in-year budget changes.

10.5 The approval of fees and charges for 2016/17, in addition to supporting the achievement of budgeted income, provides clarity to services and service users. The Officer Scheme of Delegation governs any subsequent in year fees and charges changes.

10.6 A summary of budget by Service area is shown in the table below.

Business Unit/Service	Expenditure	Income	Net
	£000's	£000's	£000's
Joint Commissioning Team (JCT)			
Adult Social Care Total	36,647	(728)	35,919
Childrens Services	79,071	(50,116)	28,955
Public Health and Community Safety	9,469	(9,379)	90
Sub Total – Joint Commissioning Team	**125,187**	**(60,223)**	**64,964**
Joint Operations Team (JCT)			
Community & Customer Services	103,127	(75,504)	27,623
Corporate & Business Services	41,211	(24,742)	16,469
Sub Total – Joint Operations Team	**144,338**	**(100,246)**	**44,092**
TOTAL	**269,525**	**(160,469)**	**109,056**



11 Dedicated Schools Grant

11.1 The Council has to confirm that it will be directing the entire grant received in respect of Dedicated Schools Funding through to those areas as defined in the School Finance Regulations. For 2016/17 the allocation of Dedicated Schools Grant (DSG) before Academy recoupment is £89.0m. Of this total it is recommended that approximately £37.0 m be included in the Council's budget for schools related expenditure for its own schools (i.e maintained schools). It should be noted that this estimated figure will be adjusted throughout the year to reflect changes to early years funding and Academy conversions. The Chief Finance Officer (CFO) be authorised to make appropriate changes as and when the funding changes.

12 S151 Officer Statements

12.1 In accordance with the requirement of the Local Government Act 2003 the Chief Finance Officer must report to Council on "the robustness of the estimates made for the purposes of the (budget) calculations" and the "adequacy of the proposed financial reserves".

12.2 Detail on the key financial risks facing the Council and the potential mitigation are included in paragraph 16 below.

12.3 Chief Finance Officer Statement.

12.4 *"Based on information and assurances from Senior Members and Senior Officers I can give an opinion that the 2016/17 budget is based on robust budget estimates. There are a number of significant risks facing the Council, however with the benefit of close working with officers, members and, where appropriate, partners, these can be promptly identified and mitigating action taken. This opinion is supported by the maintenance of council reserves at a prudent level* *and the development of a four year "efficiency plan" to achieve a balanced and robust budget for the next four years.*

12.5 In relation to reserve levels, the statement in the review of reserves report is

12.6 "The Council is facing unprecedented financial challenges. At this time I am satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans for 2016/17 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment, if the following actions are undertaken:

a) Funding of £2.5m is identified to refund the use of reserves for the 2015/16 projected overspend
b) The CSR has a minimum balance of £1.0m for 2016/17
c) The General Fund reserve has a minimum balance equal to 4% of net budget
d) For 2017/18 and future years a minimum ongoing balance is maintained in the CSR reserve of £1m
e) That Children's Services do not require the future use of any earmarked reserves.
f) that a balanced budget can be set for 2016/17"

12.7 If the budget proposals in this report and in the review of reserves are approved by Council this will mitigate the issues raised above.

13 Update on the financial position within Children's Social Care.

13.1 The children's services five year recovery plan approved by council in October 2014 has subsequently proved to have been unrealistic in its targets. As a result, linked in part to the Ofsted inspection, the financial position in Children's has been reviewed in detail by officers and members of the Audit committee. The Ofsted report noted that "Torbay's children's services benefit from a well-resourced workforce with manageable caseloads".

13.2 An update report is included with this report that reflects the latest plan for changes within the service – appendix two.

13.3 In relation to 2016/17 the Director of Childrens Services is confident that the proposed 2016/17 budget for Children's is achievable linked to the addition of £2m as per the budget proposals. The progress report makes the following statements:

a) That Children's Services are committed to deliver services within the proposed 2016/17 budget.

b) That the 2016/17 proposed budget of £28.9m is sufficient to cover service delivery.

13.4 The October 2014 cost recovery plan will be further updated by end of March 2016 by the DCS in conjunction with support from the Integrated Care Organisation.

13.5 In relation to the original plan the proposed reduced use of reserve in 2016/17 by £1.2m and a further £1.1m in 2017/18 is achievable; however at this stage no projection on the timing has been made in relation the repayment of reserves from future savings in the service.

14. **Update on the financial position within Adult Social Care.**

14.1 From October 2015, with the start of the Integrated Care Organisation (ICO), the Council now has a 9% risk share of the total financial performance of the ICO (approx £400m).

14.2 The ICO in 2016/17 faces a challenging year with funding pressures from all three partners to the risk share. The Council is having regular meetings with both the ICO and Clinical Commissioning Group to agree a risk share for 2016/17 with all three partners committed to making the partnership work.

15 Funding Settlement – December 2015

15.1 The Chancellor announced the Spending Review for the next four years in November 2015. After this, individual government departments can then announce their grant allocations for 2016/17. The DCLG announced the provisional Revenue Support Grant (RSG) allocation in the Local Government Finance Settlement on 17th December 2015.

15.2 The key issues from the announcements (to date) are as follows:

- Four year Revenue Support Grant announced, which Councils will have the choice of accepting subject to an efficiency plan.
- Torbay RSG to reduce from a (restated) 2015/16 £27m to £6m by 2019/20.
- Torbay RSG to reduce by £7m in 2016/17 from a (restated) 2015/16 £27m to £20m.
- Local Government Association estimate of a national 24% reduction in core council funding over four years.
  Care Act grant now part of RSG, so future Care Act costs not funded by central government.

- Confirmation of 2% Council tax rise option for adult social care.
- Council tax freeze grants not now an option. DCLG forecasts of spending power assume council tax rises taken, implying a shift from national to local taxation.
- Referendum limit set at 2% and over for 2016/17 (excluding the 2% for adult social care). DCLG assumption is that Council Tax rises linked to CPI.
- Consultation on new homes bonus grant with aim of cutting grant by £0.8 billion by 2019/20 – with an impact on Torbay's new homes bonus grant and future incentives for growth.
- £1.5 billion by 2019/20 for adult social care to be part of better care fund is to be part funded by the reduction in new homes bonus grant which has a funding redistribution impact from lower tier councils to higher tier councils.
- The allocation of the £1.5 billion to be based on both relative need and the ability of councils to raise funds using the 2% council tax rise for

adult social care.

- No (national) support for funding issues in Children's Social Care.

- 100% NNDR retention (currently 49%) by “end of parliament”. The introduction of this change will be fiscally neutral as RSG and other funding will be adjusted and, as yet unnamed, new responsibilities to be passed to Councils. This could include public health, housing benefit administration and attendance allowances.

- 10% reduction in 2016/17 for housing benefit administration grant.

- Public Health 2016/17 grant not yet announced but is expected to be a further 4% reduction in addition to the 6% reduction 'in year' for 2015/16.

15.3 Note: in writing this report (26/1/16) the final local government finance settlement has not been issued by DCLG.

15.4 It should be noted that although a four year RSG settlement was announced there is increasingly uncertainty over future funding as DCLG have announced a number of consultations and reviews. In addition a number of Councils have raised objections to the settlement which is accepted could result in changes to the grant totals announced in the provisional settlement.

16 Risk and mitigation

16.1 To mitigate against risks to the achievability of the 2016/17 budget a number of assumptions are made in the development of the budget for 2016/17. A list of specific risks and their mitigation are shown below:

Risk	Mitigation
Achieve 2016/17 budget reductions	Monthly monitoring of current year financial position by Senior Leadership Team including a “savings tracker”. Uncommitted balance of £1.5m within Comprehensive Spending Review Reserve. Contingency budget in 2016/17 revenue budget. Directors, Executive Heads and all managers have a responsibility to ensure they maintain their spend within the approved budget allocation. The Council also has in place a series of regular revenue and capital monitoring reports, which are presented to the Overview and Scrutiny Board meetings and all Members which review the budget on a quarterly basis throughout the financial year, which mitigates

	against the risk of inadequate financial control.
Achieve 2016/17 Adult Social Care budget	9% Risk Share of Total ICO position. Monthly performance and financial monitoring. Finalise Annual Strategic Agreement in July 2016. Allocation of 2% Council tax increase to support adult social care.
Achieve 2016/17 Children's Services budget	Progress report and commitment to budget by DCS. Regular financial reporting to Improvement Board Corporate challenge on financial performance as part of transformational plan. Revised Financial Recovery Plan by end of March 2016 A more robust staff recruitment approval process.
Unknown financial issues	Review of Reserves report. £4.4m maintained in general fund balance. Networking with peers to understand national issues and their implications
Interest rate exposure	Low risks as rate forecasts are to remain at a low level in 2016/17. Approval of Treasury Management Strategy
Inflationary pressures	Low risk as inflation forecast is low. Pay award offer made at 1%.
Insufficient capacity for transformation – Council, partner and community	Allocation of £0.6m for transformation within 2016/17 budget
Insufficient Income generated in future years	Allocation of £0.5m in a “invest for income” reserve. Capital proposal for a £10m investment fund funded from prudential borrowing.

Loss of judicial review appeal for care homes	Consultation currently ongoing for a part payment of fees. Court appeal on fee element in dispute not to be heard until November 2016.
Inability to deliver a four year balanced budget	Update of MTRP Development of a four year "efficiency" plan supported by a transformation programme.
Insufficient reserve levels	Review of Reserves report. £4.4m maintained in general fund balance. Recommendation to allocate funds to CSR Reserve.

17 Estimation of Collection Fund Surplus/Deficit (Council Tax and National Non Domestic Rates - NNDR)

17.1 **Council Tax**

17.2 The Council makes an estimate of the surplus or deficit on the Collection Fund at year end from under or over achieving the estimated council tax collection rate. As the Council sets a collection rate within its tax base equivalent to the amount collected in the 12 months of the next financial year any surplus primarily represents the collection of sums due in respect of previous years. This indicates a level of success in collecting old year debts and raises the overall, longer term, collection rate to above the in year rate of 96%.

17.3 The latest estimate of the Collection Fund in year in respect of Council Tax as at 31 March 2016 is a £2.5m surplus.

17.4 This surplus has to be shared in 2015/16 between Torbay Council, Devon and Cornwall Police and Crime Commissioner's Office and Devon and Somerset Fire and Rescue Authority in accordance with their demands on the Collection Fund for 2015/16. The estimated share of the 2015/16 surplus to be distributed in 2016/17 is as follows:

Table 2

	Share of Surplus £m	Share %
Torbay Council	2.100	84%
Devon and Cornwall Police and Crime Commissioners Office	0.281	11%

Devon and Somerset Fire and Rescue Authority	0.130	5%
Totals	2.511	100%

17.5 As a local precepting authority, as defined in the Local Government Finance Act 2012, Brixham Town Council will not be entitled to a share of any surplus or deficit on the collection fund.

17.6 National Non Domestic Rates

17.7 Since the introduction of the Business Rates Retention Scheme in April 2013, the Council is also required to declare a surplus or deficit for NNDR in a similar way as set out above for council tax. The forecasting of NNDR has involved a wide range of complex variables and influences and is a new area which has caused further complications for medium term financial planning. The NNDR 1 form is the primary return to meet this outcome and an extract is attached as appendix One. The full return can be accessed on the following link.

http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/nondomrates1-1617.pdf

17.8 Overall the Council has declared an estimated deficit position of £2.0m on its Collection Fund in respect of NNDR as at 31st March 2016. This is apportioned between the Council (49%), the Devon and Somerset Fire and Rescue Authority (1%) and central government (DCLG) (50%). The Council’s share of the deficit is £979,000. The NNDR reserve will be used in 2016/17 to smooth the impact and timing of this variance between the section 31 NNDR grant and the NNDR deficit being funded.

17.9 The deficit in 2015/16 is primarily linked to a national judgment that enabled GP Surgeries to submit backdated appeals for NNDR.

18 Council Tax and Referendum Limits

18.1 To control the level which local authorities increase council tax, the Government has set limits on rises at which point a referendum would be required. This has been set at 2% or over for 2016/17. The Council budget proposal is for a 1.99% increase in this element.

18.2 The Council is responsible for social care and is therefore able to raise its council tax from April 2016 by a further 2% each year subject to the increased tax income being allocated to adult social care. The budget proposal is for a 2.0% increase in this element, therefore a 3.99% rise in the Torbay share of the overall Council Tax for 2016/17 is proposed.

18.3 Members will be aware the Council Tax bill sent out to residents is made up of three main component parts, namely Torbay Council, the Police Authority and the Fire Authority. The Secretary of State will look at the three component parts, not the overall bill, therefore if one of the three organisations were capped the Council would have to re-bill. Members will be aware that in addition there will be a separate council tax charge for residents in Brixham for Brixham Town Council.

18.4 At the time of writing this report, Brixham Town Council, the Devon and Cornwall Police and Crime Commissioner's Office and the Devon and Somerset Fire and Rescue Authority have not set their budgets for 2016/17 and council tax level. Once these have been declared they will be included within the Council Tax Setting report which will be presented to Members at the end of February 2016.

19 **Better Care Fund**

19.1 From April 2015 central government integrated some social care funding and some health funding into a Better Care Fund which is run as a pooled budget between the Council and the Clinical Commissioning Group (CCG) as the host. For the Council this includes the s256 funds the Council had received for adult social care.

19.2 When the 2016/17 Better Care Fund allocations are confirmed this income will be included in the 2016/17 budget with expenditure to be on Adult Social Care linked to the Annual Strategic Agreement with the ICO.

20 Appendices

Appendix 1 - NNDR1 2016/17

Appendix 2 - Children's Services Financial Plan – Progress Report

Appendix 3 – Review of Reserves 2016/2017

Appendix 4 – Treasury Management Strategy 2016/2017 (incorporating the Annual Investment Strategy 2016/2017 and the Minimum Revenue Provision Policy 2016/2017

NATIONAL NON-DOMESTIC RATES RETURN - NNDR1
2016-17

Please e-mail to nndr.statistics@communities.gsi.gov.uk by no later than 31 January 2016.
In addition, a certified copy of the form should be returned by no later than 31 January 2016 to the same email address

All figures must be entered in whole £

If you are content with your answers please return this form to DCLG as soon as possible

Local Authority : Torbay

Ver 1.31

PART 1B PAYMENTS
This page is for information only please do not amend any of the figures
The payments to be made during the course of 2016-17 to
i) the Secretary of State in accordance with Regulation 4 of the Non-Domestic Rating (Rates Retention) Regulations 2013
ii) major precepting authorities in accordance with Regulations 5, 6 and 7 and to be
iii) transferred by the billing authority from its Collection Fund to its General Fund,
are set out below

	Column 1 Central Government	Column 2 Torbay	Column 3	Column 4 Devon and Somerset Fire Authority	Column 5 Total
Retained NNDR shares	£	£	£	£	£
13. % of non domestic rating income to be allocated to each authority	50%	49%	0%	1%	100%
Non-Domestic Rating Income for 2016-17					
14. Non-domestic rating income from rates retention scheme	18,656,112	18,282,989	0	373,122	37,312,223
15. (less) qualifying relief in Enterprise Zones	0	0	0	0	0
16. Not used this year					
17 TOTAL	18,656,112	18,282,989	0	373,122	37,312,223
Other Income for 2016-17					
18. add cost of collection allowance		201,543			201,543
19. add amounts retained in respect of Designated Areas		0			0
20. add amounts retained in respect of renewable energy schemes		0	0		0
21. add qualifying relief in Enterprise Zones		0	0	0	0
22. add City of London Offset		0			0
23. Not used this year					
Estimated Surplus/Deficit on Collection Fund	£	£	£	£	£
24. Estimated Surplus/Deficit at end of 2015-16	-998,722	-978,747	0	-19,974	-1,997,443
TOTAL FOR THE YEAR	£	£	£	£	£
25. Total amount due to authorities	17,657,390	17,505,785	0	353,148	35,516,323

Meeting: **Overview and Scrutiny Board** Date: **27 January 2016**

Wards Affected: All

Report Title: Children's Services – Children's Financial Plan – Progress report

Executive Lead Contact Details: Julien Parrott, Executive Lead for Adults and Children, julien.parrott@torbay.gov.uk

Supporting Officer Contact Details: Richard Williams, Director of Children's Services, richard.williams@torbay.gov.uk

1. Introduction and Background

1.1 This report focuses on the changes to the budget for 2016/17 and how it will be managed to ensure that the service delivery costs remain within the proposed financial envelope which for the 2016/17 budget due to be £29.0m.

1.2 Children's Services is currently forecast to spend approximately £31.5m by the end of March 2016. This will result in an overspend of £2.8m against the approved budget of £28.7m

1.3 This report is to provide Members with an update on progress made and provide assurance of the commitment of Children's Services to deliver services within the proposed budget for 2016/2017.

2. Recommendation(s) / Proposed Decision

2.1 That Members note:

a) That Children's Services are committed to deliver services within the proposed 2016/2017 budget.
b) That the 2016/17 proposed budget of £29.0m is sufficient to cover service delivery
c) The risks as outlined
d) The Governance measures to provide support and challenge.

3. Achieving the Budget

3.1 Spend on agency social workers in 2015/16 is projected to be £3.1m. The number of agency social workers (ASWs) employed within Children's Services in July 2015 was 38. Following the Workforce Strategy – Reducing Reliance on agency staffing we have achieved a reduction of 11 ASWs to 27 whole time equivalent ASWs.

3.2 Children's Services will continue to reduce agency social workers further by the end of March 2016, ensuring that the ASW spend for 2016/17 is reduced by £1.5m in the new financial year, maintaining a maximum spend on ASW of £1.6m in 2016/17. Reducing looked after children costs and placements. Based upon the current age/type placement profile there is likely to be a considerable pressure on the proposed £11.5m placement budget in 2016/17 but this will be mitigated by changes to service delivery resulting in spend remaining within budget in 2016/17. A reduction of 6 placements will deliver a reduction in costs of £520k.

3.3 Children’s Services have drafted an Invest to Save report which will enable the service to achieve sustainable improvement. This will be delivered within the existing financial commitment for Children's Services, reconfiguring the service to maintain both service improvement and meet the challenge of reducing budgets.

3.4 To fund a strengthening of management and review capacity, as per para 3.3 above, to ensure challenge and oversight in response to Ofsted’s recommendation, 5 social work posts will be removed from the establishment at 31 March 2016.

3.5 To support a safe reduction in the numbers of children looked after; we will develop a clinical model of ‘Edge of Care’ and in addition, a reunification team. This will enable at least the reduction in costs and numbers outlined in 3.2.

3.6 To increase the amount of time a social worker spends working with families and young people, a business support offer is being rolled out providing dedicated support to social workers on a ratio of 1 business support officer to 3 social workers. This offer coupled with mobile technology will have the effect of increasing our frontline resource by 30%.

3.7 Children’s Services in partnership with the Audit Committee have reviewed previous assumptions in the Five Year Plan and have renewed their strong motivation to achieve a financially sustainable service alongside the improvements which are required to improve outcomes for children. This commitment is evidenced by the success to date in reducing agency social workers and the downward trend in looked after children’s numbers.

3.8 A further report is now in preparation to provide assurance and direction on the longer term financial plan for Children's Services. This will be developed in partnership with the ICO as a central part of the 'integration' process and will be finalised before the end of this financial year.

4. Risk and challenge

4.1 There are risks to the service in delivering the expectations at the pace required, at a point when improvement in outcomes are required. Recruitment to permanent social workers, management and review posts if unsuccessful, will present challenge to improvement, whilst assisting budget reductions.

4.2 There are co-dependencies: successful recruitment will assist with reunification and preventing children entering care. This will reduce caseloads and enable reductions in the social work establishment. However, higher caseloads caused by reduction in social work posts may place risks for retention of permanent social workers.

4.3 The risks and challenges will be mitigated by the robust improvement plan and by focusing recruitment on specialist and career grade posts, and creating specialist teams to focus on children looked after. There are also risks and challenges that form the basis of the day to day management task for children's services senior managers.

5. Governance

5.1 Internal challenge and budget monitoring processes ensures that high risk budget areas are regularly monitored by the Assistant Director – Safeguarding supported by budget accountability by Heads of Service. This is accompanied by a changing culture of service expectation and accountability with high support and high challenge.

5.2 Corporate challenge: a task and finish group focusing on the use of agency staffing within Children’s Service which reports to the Council Transformation Team. In addition to this a broader overview of the Children's Services budget will form a work stream for challenge within the corporate centre.

5.3 Members challenge: consideration will be given to how best Members will engage and how the audit committee working group will continue fulfil its scrutiny role.

Background Documents

30th October 2014 – Children's Services 5 year cost reduction plan

http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=5586&Ver=4

Meeting:	**Council**	**On: 3rd February 2016**
Wards Affected:	**All**	
Report Title:	**Review of Reserves 2016/17**	
Executive Lead Contact Details:	**Mayor Gordon Oliver, mayor@torbay.gov.uk**	
Supporting Officer Contact Details:	**Martin Phillips, Chief Finance Officer, 01803 207285, martin.phillips@torbay.gov.uk**	

1. Purpose

1.1 The Council holds a number of reserves as part of its approach to maintaining a sound financial position, protecting the Council to some degree from volatility in the risk in its budget going forward. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992 which requires Councils to "have regard" to the level of reserves needed to meet future expenditure when calculating a budget. Part of sound financial management is to assess the adequacy of these reserves and release those reserves no longer required.

2. Proposed Decision

2.1 That the transfer of £1,435,000 identified from a number of individual earmarked reserves (see paragraph A2.9) to the following reserves be approved:

a) £500,000 to a new "Invest for Income" reserve to fund initiatives that lead to increased income to the Council to support future year revenue budgets (in accordance with the Corporate Peer Challenge (CPC) action plan);

b) £50,000 to a new Capacity Building reserve to support training and development of staff and members (in accordance with the CPC action plan); and

c) Balance of £885,000 to the Comprehensive Spending Review reserve to support 2016/17 and future year budget pressures such as exit packages for staff, transitional funding (if required) and a contingency for any in year 2016/17 budget variances.

2.2 That it be noted that, at this point in time, Children's Services are unlikely to be able to repay £3.4m in the short term to earmarked reserves, as identified in the Children's Services Recovery Plan (October 2014).

2.3 That the future repayment of the earmarked reserves of £3.4m as per the Children's Services Recovery Plan (October 2014 version) and the £1.5m repayment to the PFI reserve be included in future year Annual Strategic Agreements with the Integrated Care Organisation (ICO) and in the ICO business plan for the proposed Childrens' Services transfer to the ICO.

2.4 That the significant financial pressures facing the Council in future years be noted and that, as a principle, the allocation of additional funds, as required, to the Comprehensive Spending Review Reserve in each budget process to maintain an ongoing minimum balance in the reserve of £1m be agreed.

3 Reasons for Decision

3.1 A Review of Reserves is a key part of the Council's budget setting process. Consideration of reserve levels is linked to legislation for budget setting contained in both the Local Government Acts of 1992 (section 31A & 42A) and 2003 (section 25) and linked to section 114 of the Local Government Finance Act 1988.

3.2 The Council has had unprecedented financial challenges from reduced funding levels over the past few years and is facing a further £21m reduction in its Revenue Support Grant from 2015/16 to 2019/20, in addition to any future expenditure pressures. The Council is also facing significant financial pressures from Children's social care which is estimated to result in a £2.8m overspend in 2015/16, and to a lesser extent from Adult Social Care.

3.3 As part of the Children's Services 5 Year Cost Reduction Plan approved by Council in October 2014, it was recommended that Council approve the transfer of £3.4m from a number of reserves to fund planned spend within Children's Services, with the service repaying the reserve in 2017/18 & 2018/19. The Review of Reserves report stated last year that "It is important that these reserves are repaid or there will be additional budget pressures for other services within the Council". The Children's Services recovery plan, in the light of the current financial position and the recent Ofsted inspection, is being revisited. After the plan is revised and appropriately challenged, the impact on council reserves will be incorporated into future versions of this report and the medium term resource plan. At this stage the planned reductions in the use of reserves, as per the October 2014 Plan for 2016/17 of £1.2m and a further £1.1m in 2017/18 have been included, however at this stage it is considered unlikely that Children's Services will be able to make any repayment in the next few years.

3.4 As part of the 2014/15 Review of Reserves the Council approved "the transfer of £1.5m from the PFI Sinking Fund to Children's Services on an "invest to save" basis. Children's Services to repay the reserve in future years". Members are reminded that if the reserve is not repaid then it will be necessary for Children's Services to fund the future costs of the PFI school contract.

3.5 This report is highly influenced by the significant financial risks facing the Council both from current financial pressures within Children's social care (safeguarding and wellbeing) and the substantial budget reductions predicted for future years. There is a risk that, without mitigation, in future years the Council will not have enough identified reserves to support any one off expenditure required to meet any in year budget shortfalls, costs for restructuring due to budget reductions, the approved Children's Services Cost Reduction Plan and any delays in implementing savings.

3.6 Due to the significant financial risks facing the Council in 2016/17 and future years it is essential that the Council's reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget. It is recommended that a minimum of £1.5m is held within the CSR reserve as a contingency for 2016/17 in year pressures. This is in addition to the general fund balance. A sum will be added per annum to this reserve to replenish the balance to a minimum of £1m each year from 2017/18 onwards and this will be included in future financial planning.

3.7 To support the Council's response to finding additional budget reductions over the period of the Spending Review 2015 it is recommended that a separate "invest for income" reserve of £500,000 is established to invest in income opportunities, to be used, for example, to introduce new income streams and increase commercial activities. Allocation of this reserve to be authorised by the Chief Finance Officer, in consultation with the Executive Director of Operations and Finance, based on the business case presented. This reserve is separate to any proposed capacity building or service transformation reserve.

3.8 One of the Corporate Peer Challenge recommendations was to "Review and invest in the training and development needs of senior members and officers". To support this it is proposed to place £50,000 into a new 'capacity building' reserve to support training and development of staff and members. (CPC action plan)

3.9 Members are again reminded of the advice previously given by the Chief Finance Officer, that reserves should not be used for supporting ongoing recurring expenditure. Use in that way is not financially sustainable as reserves can only be spent once.

4. Mayor's Response to the Overview and Scrutiny Board

4.1 The Overview and Scrutiny Board has made a recommendation to me in relation to the Review of Reserves. I have considered that recommendation but the governance of reserves is covered by Financial Regulations 8.10. In this case, the purpose of the reserve is stated in 3.7 above and the level of reserve will be reported annually to the Overview and Scrutiny Board.

For more detailed information on this proposal please refer to the supporting information attached.

Martin Phillips
Chief Finance Officer

Supporting information

A1. Introduction

A1.1 A Review of Reserves is part of the Council's annual budget process.

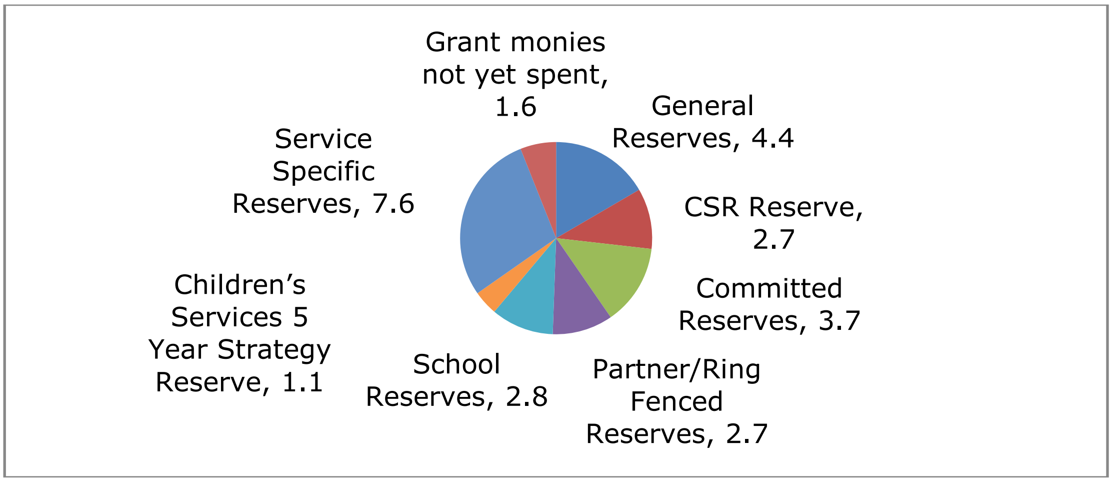
A2 Review of Reserves 2016/17

A2.1 Overview

A2.2 As at 31/03/2015 Torbay Council's reserves were as follows:-

	31/3/14 actual	**Change in year**	**31/3/15 actual**	**31/3/16 estimate**
	£m	£m	£m	£m
General Fund Reserve	4.4	0	4.4	4.4
Sub Total - General Reserves	**4.4**	**0**	**4.4**	**4.4**
Comprehensive Spending Review Reserve	3.8	(0.7)	3.1	2.7
Committed Reserves	6.8	1.2	8.0	3.6
Partner/Ring Fenced Reserves	3.8	(1.4)	2.4	2.7
School Reserves	2.8	0.1	2.9	2.8
Children's Services 5 Year Strategy Res.	0	3.4	3.4	1.1
Other Service Specific Reserves	12.6	(4.2)	8.4	7.6
Grant monies not yet spent	3.1	(0.4)	2.7	1.6
Sub Total – Earmarked Reserves	**32.9**	**(2.0)**	**30.9**	**22.1**
Total Reserves	**37.3**	**(2.0)**	**35.3**	**26.5**

A2.3 From the table above, the estimated balances (in £m) as at 31/3/16 after the recommended allocation of £1.4m (para A2.9) to specific issues is as follows:



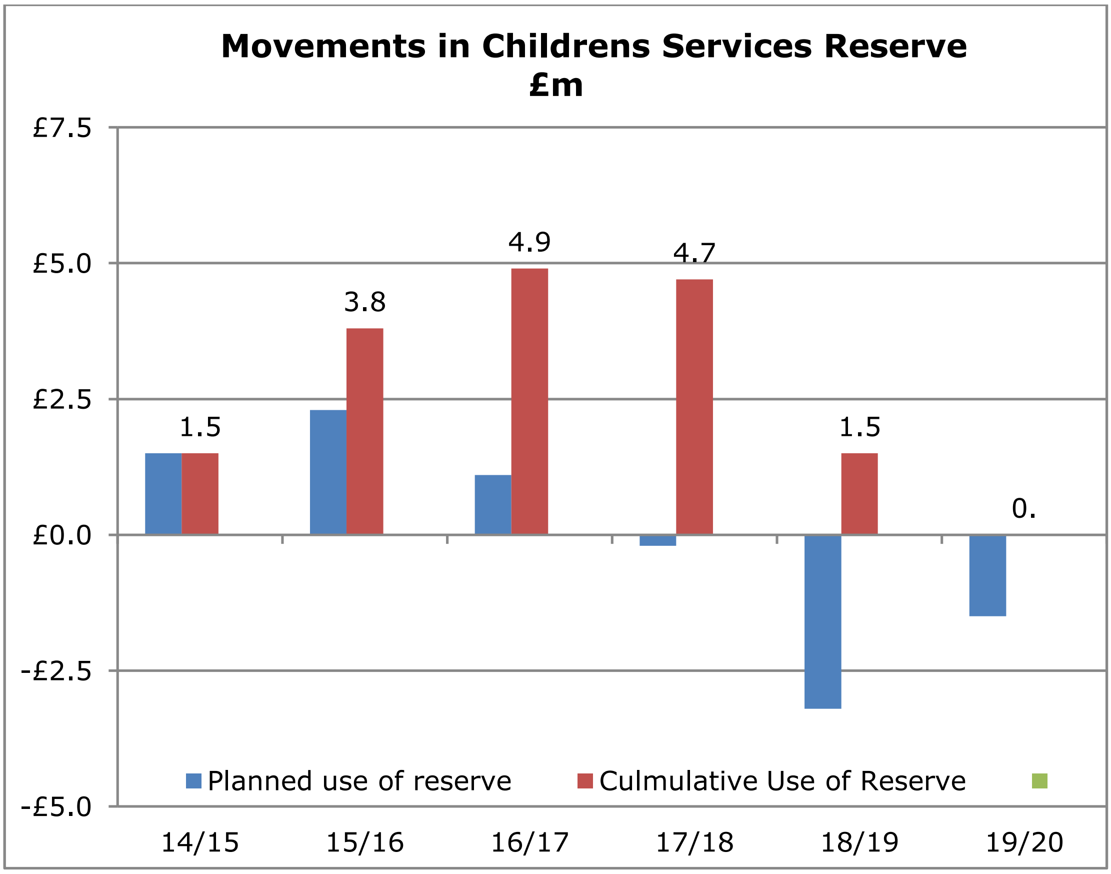
A2.4 A list of the Council's Reserves as at 31/03/2015 is attached in Annex 1.

A2.5 The table in A2.2 shows that the total reserves held by the Council decreased by £2.0m during 2014/15. The General Fund Reserve remained at £4.4 million during the same period. This is discussed in more detail below.

A2.6 In October 2014 the Council approved a five year cost reduction plan for Children's Services which required the use of £3.4m of reserves to fund Children's services budget pressures in 2015/16 and 2016/17. Such a use of reserves was to allow the service to introduce and embed service changes which was forecast to result in savings compared to the current level of spend, consequently enabling Children's services to repay the reserves used to fund the £3.4m. The Plan identified that £0.2m would be repaid in 2017/18 and £3.2m repaid in 2018/19. The £3.4m was in addition to the previously approved use of £1.5m from the PFI Sinking Reserve which is also to be repaid by Children's Services, with the assumption that this £1.5m was used in 2014/15 with repayment in 2019/20.

A2.7 Since October 2014 the financial performance of the plan has not matched the original predictions and therefore the plan is currently being updated.

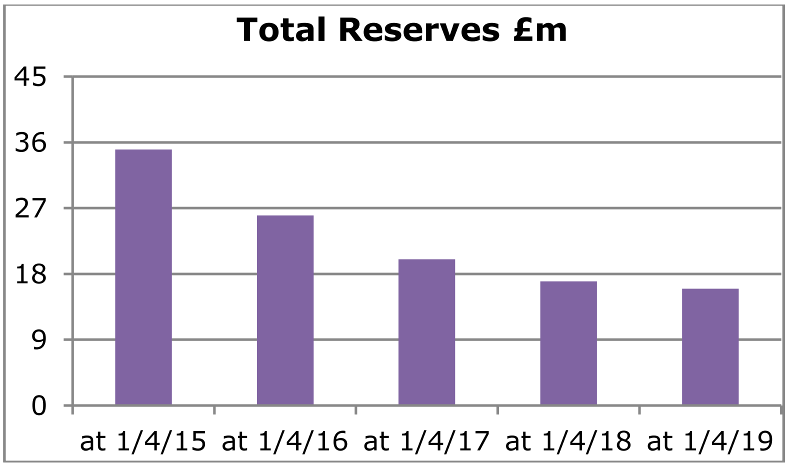
A2.8 The use of these reserves to support Children's Services and their repayment as per the October 2014 recovery plan is shown in the bar chart below.



A2.9 The reserves identified to as surplus to their current purpose shown in the table below. The risk and potential implication of reducing these reserves is summarised below:

Reserve	Reduction £000's	Reduction on estimated balance as at 31/3/16 %	Implications
Prudential Borrowing Reserve	1,244	100	Linked to Capital Plan 2016/17 and borrowing approvals approved in 2015/16 the Council is unlikely to repay any borrowing in the medium term.
Land Charges	96	100	National legal case on property searches is close to being finalised, so reserve can be released
Pension	95	100	No estimated costs for this reserve.
Total Identified	**1,435**		

A2.12 Each reserve has been assessed for its estimated balance as at 31st March 2016 and for the estimated additions or withdrawals from the reserve during 2016/17 and future years. This is included in the table at Annex 1. This table is shown after the recommendations arising from this report, but excludes the £4.9m repayments (£3.4m + £1.5m) by Children's Services.



A2.13 The table, (based on this review of reserves), shows that the level of reserves is expected to decrease by £9m during 2015/16 to £26m. The actual balance at year end will depend on spend during the year and any year end service carry forwards from unspent revenue funds and/or unspent grant allocations.

A3.0 **Guidance on the Management of Reserves**

A3.1 The CIPFA guidance on Reserves and Balances (LAAP bulletin 99 issued July 2014) advises that "Chief Finance Officers should take account of the strategic, operational and financial risks facing the authority. The assessment of risks should include external risks, such as flooding, as well as internal risks, such as the ability to deliver planned efficiency savings".

A3.2 The CIFPA guidance lists a number of assumptions to be considered when forming a budget, which although these directly link to the setting of a budget, the level of risk and uncertainty of these assumptions are be relevant in determining an appropriate level of reserves. Assumptions to consider include inflation, demand led pressures, delivery of planned savings and risks from new partnerships or ways of working.

A3.3 The Audit Commission in December 2012 issued a report "Striking a Balance" seeking to improve Council's decision making on reserves.

http://www.audit-commission.gov.uk/wp-content/uploads/2012/12/strikingabalance.pdf

A3.4 In undertaking a detailed annual review of reserves that is presented to both Overview and Scrutiny Board and Council, Torbay Council is largely complying with most of the recommendations in this report.

A3.5 It is important to differentiate between general and uncommitted reserves and reserves held for a specific purpose. It is only the general and uncommitted reserves that could be used to support "short term costs". As shown in the table above, the Council's uncommitted reserves were the Comprehensive Spending Review reserve (£3.1m) and £4.4m is the Council's general fund balance which is discussed later. The Council does not have a large value of unallocated reserves compared to its overall budget or compared to the value of budget reductions required over the next few years or compared to the value of the 2015/16 in year pressures for social care.

A3.6 The Chief Finance Officer is reluctant to use any reserve funds, which can only be spent once, to support ongoing expenditure as this is not financially sustainable, as it only delays the impact of the required budget reductions.

A3.7 This position taken by the Chief Finance Officer is similar to CIPFA guidance which says "Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as how such expenditure will be funded in the medium to long term".

A4 Earmarked Reserves

A4.1 The proposed changes to earmarked reserves are outlined in paragraph A2.9 above. The following paragraphs make specific comments on a number of reserves. A summary of each reserve and their purpose is included as Appendix Two. Further information on all Council Reserves is available that shows details about each reserve, including the reason/purpose of the reserve, how and when the reserve can be used and the process for retention of each reserve to ensure continuing relevance and adequacy.

A4.2 Comprehensive Spending Review Reserve – balance £3.1m 31/3/15 *(£2.7m 31/3/16)*

A4.3 The Comprehensive Spending Review Reserve was originally established in 2010/11. The purpose of this reserve was identified as follows:

- short term support for the (revenue) budget while services adjust spending to new levels
- financing of any costs in relation to reducing services and therefore staff numbers
- to support any initial costs of changing service delivery that will result in future savings

Any use of this reserve for invest to save schemes must be supported by a robust business case and agreed by the Chief Finance Officer.

A4.4 To fund any overspend in 2015/16 it is recommended that the Comprehensive Spending Review Reserve is not used, as the balance in the reserve should be retained to provide a contingency for budget pressures in 2016/17, in particular in relation to social care and to support the financial impact of the judicial review of care home fees including any costs should the Council's appeal be rejected.

A4.5 Council at its meeting in December 2015 approved the use of up to £0.2m from this reserve to support the English Riviera Tourism Company to December 2016.

A4.6 After the proposed allocation of £0.885m to this reserve the balance on the CSR reserve excluding the tourism commitment above and an allocation for the results of the judicial review appeal on care home fees, will be sufficient to provide a contingency to provide cover for the risk of any 2016/17 budget variations in particular in social care and any exit costs such as redundancy costs relating to 2017/18 incurred in 2016/17.

A4.5 The potential for further transfers from earmarked reserves is becoming increasingly limited therefore, to help ensure a robust budget can be set, a sum to bring the balance to £1m per annum will be added to this reserve in each year as part of the budget proposals from 2017/18 onwards and will be included in future financial planning.

A4.6 Committed Reserves – balance £8.9m 31/3/15 *(£5.2m 31/3/16)*

A4.7 These reserves arise as a result of differences in timing between the reserve being established and the expenditure being incurred and are therefore, in effect, committed reserves. Some of these are short term, such as service carry forwards, unspent revenue grants and the collection fund, where the expenditure should be incurred within 12 months. Other reserves are spreading costs over a number of years, such as the PFI sinking fund that equalises the costs of the annual unitary charge over the 25 years of the contract.

A4.8 PFI Sinking Fund

As part of the 2014/15 Review of Reserves, Council approved; “the transfer of £1.5m from the PFI Sinking Fund to Children's Services on an “invest to save” basis. Children's Services are to repay the reserve in future years”. This repayment is in addition to the £3.4m required as part of the Children's Services 5 year Cost Reduction Plan.

It is important that this reserve is repaid as the PFI contract has steadily increasing costs over the 25 year life of the contract to 2027. If the reserve is not repaid, then Children's Services will have to reduce other service budgets to fund these increased costs.

A4.9 Partner/Ring Fenced Reserves – balance £6.6m 31/3/15 *(£5.6m 31/3/16)*

A4.10 These reserves are outside the Council’s direct control, in that the reserves are linked to funds held by partner organisations, schools, Torbay Development Agency or ring fenced Council services such public health. The harbour reserves have been included in this category as the service has operates as if it were ring fenced.

A4.11 The balance of £2.8m held by schools as at 31st March 2015 under delegated funds will change based on expenditure in schools and are likely to continue to reduce as more Council schools become academies. As a result a reduction in the balances held by schools has been shown in Annex 1.

A4.12 Specific Issue Reserves - balance £12.3m 31/3/15 *(£8.7m 31/3/16)*

These are reserves set aside for specific expenditure purposes.

A4.13 Insurance Reserve

The balance as at March 2015 for both the insurance reserve and the insurance provision, before the addition of any current year surplus due to timing of claims, was approximately £4.0 million. The Council’s insurance team in consultation with the Chief Finance Officer reviews the earmarked amounts on an annual basis and takes advice from an insurance actuary to ensure the adequacy of the reserves. The last actuarial review was a mini review as at March 2015.

As the 2014/15 budget included a reduction to the annual revenue contribution to the reserve for claims and a reduction in the total reserve of £0.250m to be released over the next five years and the 2016/17 budget proposal is to reduce the annual contribution to the fund for future liabilities by £50,000. In addition the reserve is due to be repaid £0.750m transferred in 2014/15 to support the Children's Services Reserve in the short term.

This increases the risk of the reserve being inadequate in the longer term from both changes in premiums and the number and value of claims. Given the potential long lead in time for certain insurance claims, such as those relating to children and certain types of industrial diseases, any shortfall in this reserve may not be realised for a number of years.

As a result of the above risks and the number and value of potential insurance and legal claims against the Council it is recommended that this reserve is not reduced.

A4.14 Potential Liabilities

The Council, as identified in its Statement of Accounts, has given a number of guarantees. Following the Council’s loan to TCCT in 2015, the bank guarantee has now been cancelled and when PLUSS became a CIC the Council’s guarantee in relation to a bank overdraft was also cancelled.

In addition the Council has provided a number of guarantees for pension liabilities to services now outsourced, such as TOR2 and the TDA, however it is unlikely that these guarantees will result in a cash payment from the Council. In the exceptional case of the pension liability being realised it is likely the liability will be transferred to the Council’s own pension liability which will be reflected in future employer contribution rates.

A5 Review of Provisions and other Potential Liabilities

A5.1 In addition to earmarked and general reserves the Council also holds provisions for a number of issues where the Council has a clear liability which is likely to result in a payment but the amount and timing of the potential payment is uncertain.

A5.2 As at 31/03/2015 Torbay Council's provisions were as follows:-

31/3/14		31/3/15	Change
£m		£m	£m
0.5	Insurance Provision	0.3	(0.2)
1.2	NNDR Appeals	1.2	0
0.1	Restructure/Budget Reductions	0.1	0
0.4	Other Provisions	0.3	(0.1)
2.2	**Total Provisions**	**1.9**	**(0.3)**

A5.3 The provisions above were based on the latest information as to the value of the potential liability, as such no changes in the value of these are proposed. It is expected that the majority of these provisions will be used within 2015/16 except insurance where the "time lag" on claims being notified and settled is often over one year. Other provisions tend to be linked to specific issues.

A5.4 The provision for NNDR appeals as at 31st March 2015 is a result of the introduction of the NNDR Business Rates Retention Scheme and forms part of the Collection Fund – see para A6.1 below. The Council now gains or loses a 49% share of any movements in NNDR income. This includes the ongoing impact and repayment from any successful NNDR appeals made. This includes a 49% share of any costs paid since April 2013 arising from refunds relating to financial years before April 2013 which were previously fully funded from central government. The value of these pre 2013 claims should not now increase as the Government set a "cut off" date for backdated claims to be submitted by end of March 2015.

A6.1 Collection Fund

The Collection Fund Adjustment Account (formally Collection Fund Reserve) is slightly different from all other reserves and includes both Council Tax and NNDR. For Council Tax, legislation requires any balance (surplus or deficit) to be applied at the next Council Tax setting to the three major precepting authorities (Torbay, Devon & Cornwall Police Authority and Devon and Somerset Fire Authority). (Note Brixham Town Council as a minor precepting body does not bear any share of surplus or deficit). For NNDR, as a result of the introduction of the new Local Government funding arrangements from April 2013, the Council bears a 49% share of the risk and reward of changes in the level of National Non Domestic Rate income. Changes from the Council's initial National Non Domestic Rate income estimate arising from changes in yield and collection will now also result in a Collection Fund surplus or deficit. The Council's share of any surplus or deficit will impact on the forthcoming year.

Estimates of future year surpluses will be included in the 2016/17 Budget Setting process and reflected in the Medium Term Resource Plan.

A7 General Fund Reserve - Risk Assessment and Sensitivity/Scenario Appraisal

A7.1 The Councils General Fund Reserves of £4.4 million represents 4.0% of the Council's net 2015/16 budget. This level of "unallocated financial reserves" is lower than average compared to other unitary Councils. (see para A9.1).

A7.2 The CIPFA guidance on reserves does not recommend a minimum level of reserves. It states that "Local Authorities should make their own judgments on such matters taking into account all the relevant local circumstances which will vary between Authorities". CIPFA also state that "a well managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of reserves".

A7.3 A risk assessment of all 2015/16 budgets suggest that the maximum overspend in any year, if all services were subject to adverse pressures and where there isn't any specific service related earmarked reserve, would be £8.1 million or 7% of 2016/17 net revenue budget. An estimate should be added to reflect any, as yet unknown, in year budget pressures, potential Bellwin scheme claims (emergency planning) and to reflect the financial risks inherent in any significant new partnerships, outsourcing or capital developments, say £1.0 million. This would result in a required General Fund reserve of £9.1 million or 8% of net budget. The current level of General Fund Reserve will cover just under 50% of this sum.

A7.4 This risk assessment overall is similar to the previous year as the higher value areas of volatility that were identified as a high risk last year have continued to cause pressures on the Council's revenue budget still exist. In addition the challenges of achieving the ongoing significant budget reductions from central government create a major risk of budget variations.

A7.5 A continuing key consideration within this risk assessment is the level of the risk of budget variances passed to partners or other suppliers via service delivery contracts. A key partner for the Council is the Integrated Care Organisation from October 2015. The Council has a 9% risk share of the total financial performance of the ICO (Torbay and South Devon Foundation Trust) which is a budget of approx £400m. There is a risk to the Council, as although the total budget the risk share is based on is greater, the Council's share is limited to 9%.

A7.6 A prudent risk based approach to budget setting and reserve levels will have mitigated some risks of an overspend, although it should be noted that in areas of high risk such as, Children's Social Care, have already declared significant budget pressures over the past few years. The Children's Service 5 Year Cost Reduction Plan and its update should help to mitigate some of the risks associated with this service in the longer term.

A7.7 However it is unlikely that all budgets will be adversely affected in the same year or that there will be no underspending arising from savings or additional income. Therefore the General Fund Reserve should be equal to 50% of the total assessed risk in any financial year (which equals to 4.2% of estimated 2016/17 net revenue budget). This for 2016/17 will result in a required general fund reserve balance of £4.6 million. At this stage the current general fund balance of £4.4 million is 4% of 2016/17 net revenue budget or £0.2 below the assessed target.

A7.8 Following consideration of the above, in the opinion of the Chief Finance Officer, the current level of general fund reserve should not be reduced below 4%. This is dependent on the CSR reserve having a balance in excess of £1.0m as a contingency for 16/17 budget pressures and an ongoing balance of £1m.

A7.9 The 2016/17 budget to be presented in February 2016 to Members will also include an assurance statement from the Chief Finance Officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the Local Government Act 2003.

A8 <u>Capital Investment Plan</u>

A8.1 It is assumed that in the circumstances of a significant overspend within the Council's capital programme this will be covered by alterations to the timing of the Council's capital investment plan; use of the capital contingency or from additional borrowing within the Council's approved Prudential Indicators. Any additional borrowing costs would have to be met from the Council's revenue budget.

A8.2 The Council's capital plan has a contingency of £0.6 million – this is approximately 1% of the current four year capital plan. It should be noted that all capital projects should have contingencies within the individual project costs.

A8.3 The capital resources that the Council has available is reducing from central government grants and capital income from contributions such as S106 developer agreements and the delays in establishing a Community Infrastructure Levy. In addition as revenue budget cuts are made the affordability of prudential borrowing is more limited. This gives fewer options to allocate funding for any urgent capital projects such as infrastructure works. Members could give consideration to allocating reserves to support capital expenditure.

A9 <u>Comparison with Other Councils:</u>

A9.1 Since the abolition of the Audit Commission the value of money council profiles are now the responsibility of Public Sector Audit Appointments. Unfortunately their updating of data is not as current as before. From the reports available on the PSSA website a comparison of Torbay Council reserves as at 31/3/14 with data for other unitary authorities is shown below:

Indicator	Period	Value (£000s)	Rank
Total non school reserves	2013/14	£34,090	In the lowest third
Other earmarked financial reserves	2013/14	£29,735	Average
Unallocated financial reserves	2013/14	£4,355	In the lowest 10%
Unallocated financial reserves as a proportion of total net spend (%) (excluding grant income)	2013/14	1.76%	In the lowest 20%
Schools reserves	2013/14	£2,832	In the lowest 5%

A9.2 These results shows that the profile of Torbay's total reserves are lower than average, however within that total Torbay's earmarked reserves were slightly higher than average, but more than offset by below average on the general reserve. This shows that Torbay's general fund reserve is on the lower limit of being reasonable. The PSAA report found that general fund reserve levels were typically around 3.4% of net expenditure (excluding grant income).

A10 Chief Finance Officer Statement.

A10.1 The Council is facing unprecedented financial challenges. At this stage I can only state that I can be satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans for 2016/17 to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment, if the following actions are undertaken:

a) Funding of £2.5m is identified to fund the 2015/16 projected overspend
b) The CSR has a minimum balance of £1.0m for 2016/17
c) The General Fund reserve has a minimum balance equal to 4% of net budget
d) For 2017/18 and future years a minimum ongoing balance is maintained in the CSR reserve of £1m
e) That Children's Services do not require the future use of any earmarked reserves.
f) That a balanced budget can be set for 2016/17

A11 Governance of Reserves.

A11.1 Annex 1 shows the projected balances of the reserves at the end of the current financial year and future years. These balances are based upon planned levels of spending. In the event of any unplanned expenditure occurring in the financial year current Standing Orders and Financial Regulations will apply.

A11.2 The Reserves will continue to be reported as part of the Council's Statement of Accounts and subject to a formal annual review and challenge as part of the budget process by both members and senior officers. Councilors should consider the Council's General Fund Reserve as part of the annual budget setting process. Any quarterly reporting of issues relevant to earmarked reserves will be on an exception basis.

A11.3 Schools reserves are part of the delegated schools funding and these reserves remain at the discretion of the Head Teachers and Governing Bodies.

A11.4 Public Health reserve is ring fenced for public health activities and this reserve remain at the discretion of the Director of Public Health.

A12 Risk assessment of preferred option

A12.1 Outline of significant key risks

A12.2 It is important that the issues raised in this report are considered by Members and appropriate action is taken, where necessary, to ensure that the Council has adequate reserves in the short and medium term. Failure to consider the issues raised within this report and take appropriate action could result in the Council having insufficient reserves that could adversely impact on the revenue budget and the longer term financial viability of the Council.

A12.3 The major risks facing the Council at present are the extremely challenging budget reductions as part of the Government's Comprehensive Spending Review and ongoing financial pressures from Children's social care, the achievement of the 5 Year Cost Reduction Plan and the repayment of reserves from future year savings.

Appendices

Annex 1	Review of Reserves 2016/17
Annex 2	Summary of Council Reserves

Annex 1

Review of Reserves 2016/17

Reserves	Balance as at 1/4/15 £'000	Balance as at at 1/4/16 £'000	Balance as at at 1/4/17 £'000	Balance as at at 1/4/18 £'000	Balance as at at 1/4/19 £'000
General Reserves					
General Fund	4,370	4,370	4,370	4,370	4,370
	4,370	4,370	4,370	4,370	4,370
Earmarked Reserves					
Uncommitted Reserves:					
Budget Pressures	62	31	0	0	0
Comprehensive Spending Review	3,139	2,673	1,000	1,000	1,000
	3,201	2,704	1,000	1,000	1,000
Committed Reserves:					
Approved Service Carry Forwards	1,251	1,000	348	328	308
Capital Funding Reserve	2,418	1,480	594	126	258
Council Elections	161	6	54	102	149
Grants	2,687	1,587	1,262	593	593
NNDR Collection Fund	589	471	471	471	471
PFI Sinking Fund	1,013	613	1,109	709	309
Prudential Borrowing	744	0	0	0	0
	8,863	5,156	3,838	2,329	2,089
Partner/Ring Fenced Reserves					
Devon Audit Partnership	18	18	18	18	18
TDA Reserves (Funds paid in advance)	1,385	791	791	791	791
Education Schools Exit Packages	312	280	280	260	240
Harbours Reserves	688	641	555	481	428
Public Health Reserve	1,285	1,020	554	186	43
School Balances	2,919	2,800	2,800	2,000	2,000
	6,607	5,550	4,998	3,737	3,521
Specific issues					
Art Objects Purchased Fund	24	24	24	24	24
Childrens Services 5 Year Plan	3,400	1,100	0	0	0
Community Development Trust	189	89	0	0	0
Crisis Support Reserve	604	604	404	204	4
Disposal & Asset Rationalisation Costs	89	62	62	62	62
Domestic Abuse Reserve	182	77	0	0	0
Education Early Retirement	173	157	152	142	132
Employment Fund	694	444	194	0	0
Employment Issues	138	88	14	14	14
Equipment Reserves	111	102	77	52	52
Geopark	81	50	0	0	0
Highway Reserves	676	600	575	550	525
Housing Reserves	162	150	100	50	25
Insurance Reserves	3,720	3,527	3,527	3,477	3,427
IT Equipment Reserve	471	273	43	43	43
Invest for Income Reserve	0	500	250	0	0
Land Charges	96	0	0	0	0

Office Accommodation Reserve	179	219	219	219	219
Pension Reserve	95	0	0	0	0
Planning Reserve	468	330	167	67	0
Regeneration Reserve	5	10	15	20	25
South Devon Highway	299	0	0	0	0
Supporting People Commissioning	8	8	2	2	2
Taxi Reserve	29	29	29	29	29
Tourism	83	23	0	0	0
Training and Development Reserve	0	50	30	10	0
Waste Strategy	286	150	100	50	0
	12,262	8,666	5,984	5,015	4,583
Total Earmarked Reserves	30,932	22,077	15,821	12,081	11,193
0					
TOTAL RESERVES	**35,302**	**26,447**	**20,191**	**16,451**	**15,563**

Name of Reserve	**Description of Reserve**	**Responsible Officer**
Asset Disposal Costs and Property Issues Reserve	To support the revenue costs associated with the rationalisation of the Council's assets	Kevin Mowat Executive Head Business Services
Budget Issues Reserve	To support future budgetary pressures in adult social care facing the Council *in* the medium term.	Martin Phillips Chief Finance Officer
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.	Martin Phillips Chief Finance Officer
Carry Forwards	Service Carry Forwards	Martin Phillips Chief Finance Officer
Childrens Services 5 Year Strategy	Per Council approval to support Childrens Services in the short term by £3.4m.	Richard Williams Director of Children's Services
Comprehensive Spending Review Reserve	To fund costs associated with meeting budget reductions as a result of the Government's comprehensive spending review.	Martin Phillips Chief Finance Officer
Community Development Trust Reserve	Reserve established by support the creation and three year support for a Community Development Trust.	Caroline Dimond Director Public Health
Crisis Fund	Reserve to support the costs of social fund and exceptional hardship	Bob Clark Executive Head Customer Services
Domestic Abuse Reserve	To fund the costs of the integrated domestic abuse service for 2 years, starting September 2014.	Fran Hughes Assistant Director Community & Customer Services
Early Retirement Reserve	To enable the Council to meet childrens' redundancy related liabilities as they fall due. Built up from annual budgets for new redundancies.	Debbie Horn School Improvement Officer
Regeneration/TDA Reserve	Reflects the value of funds awarded to the TDA where the work has yet to be completed.	Kevin Mowat Executive Head Business Services
Employment Issues Reserve	To support employment related issues, such as equal pay and payroll related issues.	Anne-Marie Bond Assistant Director Corporate and Business Services
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.	Various
Geo Park Conference	To support costs of Geo Park Conference	Fran Hughes Assistant Director Community & Customer Services
Grants recognised but not used	Reflects the value of revenue grants (without conditions) received	Martin Phillips

	by 31st March but not yet used to support expenditure	Chief Finance Officer
Growth Fund Reserve	Reserve established from the New Homes Bonus grant to create a Growth Fund to support employment opportunities.	Kevin Mowat Executive Head Business Services
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.	Kevin Mowat Executive Head Business Services
Highways Act Reserves	Reserve holding funds received under Highways Acts and other legislation where the Council holds funds to do works.	Ian Jones Head of Highways
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve covers potential future liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims	Anne-Marie Bond Assistant Director Corporate and Business Services
IT Equipment Reserve	To provide funds for priority driven replacements of IT equipment.	Bob Clark Executive Head Customer Services
Invest for Income Reserve	New reserve to support the development of new income streams for the council and increased commercialisation of services.	Martin Phillips Chief Finance Officer
Land Charges Reserve	Reserve to fund any potential costs arising from changes in the charging regulations in relation to land charges.	Anne-Marie Bond Assistant Director Corporate and Business Services
NNDR Rates Retention	Reserve to smooth the volatility of NNDR income including appeals, s31 grant and the performance of the Devon wide NNDR pool.	Martin Phillips Chief Finance Officer
Office Accommodation Reserve	Reserve to help meet the short term revenue costs of the rationalisation of office accommodation.	Kevin Mowat Executive Head Business Services
Misc. Specific Reserves	Includes: Council Elections, Taxi Survey, Art Objects, Devon Audit Partnership and Cemeteries.	Various
PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (Westlands and Homelands Schools) and to provide funding towards Paignton Community College expansion project.	Richard Williams Director of Children's Services
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years and masterplan delivery.	Pat Steward Head of Spatial Planning
Public Health	Reflects carry forward of ring fenced funds for Public Health	Caroline Dimond Director Public Health
Prudential Borrowing Reserve	Reflects the temporary surplus/deficit arising from the charges to services for the repayment of expenditure under Prudential Borrowing compared to actual interest and Revenue Provision.	Martin Phillips Chief Finance Officer
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives	Kevin Mowat Executive Head Business Services

School Balances	Reflects the carry forward by schools of their delegated school budget share.	Lisa Finn Finance Manager
School Redundancy Reserve	Reserve to support the costs of redundancies for schools based staff	Richard Williams Director of Children's Services
South Devon Highway	To support the development of the South Devon Highway	Ian Jones Head of Highways
Tourism (Strategic Events) Reserve	Reserve established in 2012/13 to support tourism and events.	Fran Hughes Assistant Director Community & Customer Services
Training and Development Reserve	New reserve to support the training and development needs of senior staff and members.	Anne-Marie Bond Assistant Director Corporate and Business Services
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.	Fran Hughes Assistant Director Community & Customer Services

Meeting: Adjourned Council **Date: 11th February 2016**

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Strategy 2016/17 (incorporating the Annual Investment Strategy 2016/17 and the Minimum Revenue Provision Policy 2016/17)

Is the decision a key decision? No

When does the decision need to be implemented?

Executive Lead Contact Details: Mayor, 01803 207001, mayor@torbay.gov.uk

Supporting Officer Contact Details: Pete Truman, Principal Accountant, 01803 207302, pete.truman@torbay.gov.uk

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1. Proposal and Introduction

1.1 The Strategy outlined in this report aims to support the provision of all Council services by the management of the Council's cash flow, debt and investment operations in 2016/17 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.

1.2 The overall objectives of the Treasury Management Strategy are:

- To ensure sufficient funding is available for day-to-day activities and capital projects through effective cash flow management
- To seek to reduce the impact on the revenue account of net interest costs through optimal levels of borrowing and investment
- To prioritise control of risks in investing cash and to then achieve maximum returns from those investments commensurate with proper levels of security and liquidity.

2. Reason for Proposal

2.1 The Treasury Management Strategy is considered under a requirement of the CIPFA Code of Practice on Treasury Management which was adopted by the Council on 25th March 2010.

2.2 The approval of an Annual Investment Strategy by Council is a requirement of the Guidance on Local Government Investments issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. This sets out the

Council's policies for managing its investments under the priorities of security first, liquidity second and then returns.

2.3 In addition, the Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2.4 Under CLG regulations the Council is required to approve a Minimum Revenue Provision (MRP) Statement in advance of each year.

2.5 At its meeting on 22nd October 2015 Council approved the diversification of a proportion of the investment portfolio into peer to peer lending. On review of the process and returns of the initial period the Chief Finance Officer is recommending a prudent increase to the maximum exposure limit.

3. Recommendation(s) / Proposed Decision

3.1 **That an increase to the maximum exposure to Peer to Peer Lending from £100,000 to £200,000 as set out within Annex 6 of this report be approved.**

3.2 **That the Treasury Management Strategy for 2016/17 (incorporating the Annual Investment Strategy 2016/17) be approved;**

3.3 **That the Prudential and Treasury Indicators 2016/17 laid out in section 5 and Annex 1 of the submitted report be approved;**

3.4 **That the Annual Minimum Revenue Provision Policy Statement for 2016/17 as shown in Annex 2 to the submitted report be approved.**

4. **Background**

4.1 The Council defines its treasury management activities as:
"The management of the authority's investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

4.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

4.3 In particular, Section 32 of the Act requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This report, together with the rolling Capital Investment Plan, forms an integrated strategy to ensure the affordability of capital projects.

4.4 The provisional 2016/17 budget for interest payments has therefore been set at a level which will cover the Council's borrowing requirements in the Capital Investment Plan together with cash flow costs arising from capital projects.

4.5 The core balances for which cash backing is required reflects the level of Council reserves, provisions, unapplied grants and contributions and working capital. This links to the Capital Investment Plan and Medium Term Resource Plan which form the basis of the Council's longer term strategic cash flow forecasts.

4.6 The proposed strategy for 2016/17 covers two main areas:

Capital issues

- Capital expenditure and the Capital Financing Requirement
- the minimum revenue provision (MRP) policy.

Treasury Management issues

- core funds and expected investment balances
- Prudential and Treasury Indicators;
- prospects for interest rates;
- Borrowing;
- the Annual Investment Strategy;
- policy on use of external service providers;
- reporting arrangements and management evaluation;
- other matters

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

5. Capital expenditure and the Capital Financing Requirement

5.1 The Council's capital expenditure plans are the key driver of treasury management activity and provide a guide to the borrowing need of the Council to ensure its capital spending obligations can be met. This long term cash flow management may involve arranging long or short term loans, or using long term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

5.2 The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

5.3 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts (based on figures at 13th January 2016):

Capital expenditure £m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Total	**20.4**	**29.9**	**40.0**	**23.2**	**6.7**

5.4 The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

5.5 The table below summarises the above capital expenditure plans and how these

Capital expenditure £m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Total	**20.4**	**29.9**	**40.0**	**23.2**	**6.7**
Financed by:					
Capital receipts	0.1	0.9	1.8	0	0
Capital grants	13.0	14.2	17.8	13.7	4.2
Capital reserves	1.0	0.2	1.2	0.3	(0.4)
Revenue	0.8	0.8	0.2	0.1	0.1
Contributions	0.6	0.4	0.3	0	0
Net financing need for the year	**4.9**	**13.4**	**18.7**	**9.1**	**2.8**

plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

The Capital Financing Requirement

5.6 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £40M of such schemes within the estimated CFR.

The Council is asked to approve the CFR projections below:

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Capital Financing Requirement					
Total CFR	**135**	**174**	**187**	**191**	**187**
Movement in CFR	**(1)**	**39**	**13**	**4**	**(4)**

Movement in CFR represented by					
Net financing need for the year (above)	5	44*	19	9	3
Less MRP/VRP and other financing movements	(6)	(5)	(6)	(5)	7)
Movement in CFR	**(1)**	**39**	**13**	**3**	**(4)**

*Includes 17% share of liabilities relating to the Energy from Waste facility in Plymouth

6. Minimum Revenue Provision (MRP) policy statement

6.1 The Council is required to set aside an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

6.2 The recommended MRP Policy for 2016/17 is set out at Annex 2 to this report. The Chief Finance Officer will be fully reviewing this MRP policy in the coming months. The review will consider alternative options, the assessment may result in proposed changes to the above 2016/17 policy. If the 2016/17 policy does need updating the amendments will be presented within the Treasury Management Mid-Year Review report in the autumn of 2016.

6.3 The Chief Finance Officer will be fully reviewing this MRP policy in the coming months. The review will consider alternative options, the assessment may result in proposed changes to the above 2016/17 policy. If the 2016/17 policy does need updating the amendments will be presented within the Treasury Management Mid-Year Review report in the autumn of 2016.

6.4 Subject to Council approval the Chief Finance Officer will also review the existing approved 2015/16 MRP policy if beneficial to the Council.

7. Core funds and expected investment balances

7.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	***2014/15 Actual***	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
Fund balances / reserves	*35*	29	24	20	20
Capital receipts	*3*	1	3	3	3
Provisions	*2*	2	2	2	2
Other	*9*	10	10	10	10
Total core funds	***49***	**42**	**39**	**35**	**35**
Working capital*	*12*	10	10	10	10
(Under)/over borrowing	*10*	3	(13)	(23)	(23)
Expected investments	***71***	**55**	**36**	**22**	**22**

*Working capital balances shown are estimated year end; these may be higher mid year

8. Prudential and Treasury Indicators

8.1 Local Authorities are required to set indicators to demonstrate they have fulfilled the objectives of the Prudential Code and CIPFA Code of Practice on Treasury Management. The indicators for 2016/17 and future years are set out at Annex1.

9. Prospects for interest rates

9.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view with a more detailed analysis provided at Annex 3.

Capita Asset Services Interest Rate View	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%

9.2 An economic commentary provided by Capita Asset Services is provided at Annex 4 for information.

10. Borrowing

10.1 The capital expenditure plans set out in Section 5 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

10.2 The Council's borrowing portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	*2014/15 Actual*	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
External Debt					
Debt at 1 April	*138*	138	138	138	134
Expected change in Debt	*0*	0	0	(4)	(2)
Other long-term liabilities (OLTL)	*8*	7	39	36	34
Expected change in OLTL	*(1)*	32	(3)	(2)	(2)
Actual gross debt at 31 March	***145***	**177**	**174**	**168**	**164**
The Capital Financing Requirement	***135***	**174**	**187**	**191**	**187**
(Under) /over borrowing	***10***	**3**	**(13)**	**(23)**	**(23)**

10.3 In recent years the Council has been in an over-borrowed position giving rise to a key strategy aim of early repaying existing loans. The situation will reverse in 2016/17 with borrowing levels falling below the requirement and the Council utilising its cash resources (internal borrowing) to fund the balance in the short term.

10.4 New Capital schemes will significantly increase the internal borrowing position beyond the level the CFO believes is prudent for the Council to successfully meet its future commitments. The level of external borrowing therefore needs to increase to close the gap to the CFR and the rate forecasts in section 9 indicate the optimum timing for borrowing to be in the short term prior to expected rate rises.

10.5 Consequently the borrowing strategy will focus on taking new borrowing of up to £10million within the next four years to restrict the projected internal borrowing position to a level of around £10M and retain sufficient cash to back core funds. The CFO will aim to borrow within a preferred maturity range of 10 to 25 years to lock into affordable rates over the life of new assets at points when rates are viewed to be at advantageous levels.

10.6 Consideration will also be given to forward refinancing of existing loans maturing in subsequent years if new rate projections forecast a significant rise in future borrowing levels.

10.7 The CFO will also continue to monitor for opportunities (sharp drop in rates) to reschedule existing loans with the aim of achieving revenue savings and/or reducing the average maturity structure of the debt portfolio.

10.8 The budget for payment of interest on debt for 2016/17, assuming new borrowing per para 10.5, is based on an overall borrowing rate of 4.34% (4.39% in 2015/16).

11. ANNUAL INVESTMENT STRATEGY

Investment policy

11.1 The Council’s investment policy has regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) and the revised CIPFA Treasury Management in Public Services Code of Practice.

11.2 The Council’s investment priorities, in line with CLG Guidance, are: -

the security of capital
the liquidity of its investments.

11.3 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

11.4 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

11.5 Annex 5 to this report details the creditworthiness policy for selection of counterparties and management of investments to achieve the objectives of the Investment Policy.

11.6 A decision by the Chief Finance Officer to temporarily remove all Eurozone Banks, regardless of rating, from the approved counterparty list for in-house investments remains in place but does not form part of this policy.

11.7 Investment instruments identified for use in the financial year are listed at Annex 6 under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be set within the schedules accompanying the Council’s Treasury Management Practices.

11.8 The Investment Strategy is based on current projected cash levels. If any significant changes occur to cash levels, then the Investment Strategy will need to be reviewed.

11.9 The Council does not adopt a specific Ethical Investments policy but officers will have regard to any questionable activity on the part of a counterparty or sovereign government before depositing funds.

Investment Strategy

11.10 Investment returns are likely to remain low in 2016/17 despite forecast rises in Bank rate (see section 9).

11.11 Expected investment levels at section 7 are subject to increasing risk. Counterparty pressure (lack of suitable risk institutions) have eased slightly but remains a significant limiting factor. Investment rates available to the Council continue to be influenced to the downside due to the effects of Quantitative Easing and Funding for Lending providing cheaper cash for Banks.

11.12 The perceived risks to the Bank Rate forecasts are to the downside (i.e. rate rises may be later than expected). This scenario justifies the continued use of longer term deposits to lock into higher rates and provide guarantee of return in the short term. A total of £12 million is currently locked out beyond 2016 and this will be increased subject to suitable opportunities and compliance with the Treasury Indicator for prudent amounts to be invested for over 364 days.

11.14 A proportion of funds will be held in business reserve and notice accounts to ensure appropriate liquidity is maintained for normal cash flow purposes and unexpected events and strategy transactions (eg repayment of loans prior to rescheduling).

11.16 The external Fund Manager’s strategy and performance will be subject to continuous monitoring and the CFO will vary the size of the holding in line with the aims of the overall strategy and the expected reduction in cash balances.

11.17 The interest receipts budget for 2016/17 is based on an average investment balance of £55 million and an average investment rate of 1.17% (the estimate for 2015/16 was 0.94%).

11.18 The CFO will continue to monitor the market for new opportunities to increase investment return and will report to Council as appropriate.

11.19 In October 2015 Council approved the use of peer to peer lending as a new investment vehicle and a review on the early process and returns is included at Annex 7 to this report. The initial period has been successful but too short a time to be fully confident of the risks at this stage. The CFO is therefore recommending only a limited increase in exposure up to £200,000 for 2016/17.

11.20 Council further approved exposure to the Local Authorities Property Fund. Officers have delayed any investment to investigate potential new opportunities from other Funds permitted within the list of approved instruments at Annex 6. The CFO will aim to invest £5M to £10M in such a fund during 2016/17 in line with Council approval.

12. Treasury Management Consultants

12.1 The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

12.2 The Council acknowledges that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Chief Finance Officer will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

12.3 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

13. Reporting Arrangements and Management Evaluation

13.1 Members will receive the following reports for 2016/17 as standard in line with the requirements of the Code of Practice:

- Annual Treasury Management Strategy report (this report)
- Mid-Year Treasury Review report
- Annual Treasury Outturn report

13.2 The CFO will inform the Mayor/Executive Lead for Finance of any long-term borrowing/repayment undertaken or any significant events that may affect the Council's treasury management activities. The CFO will maintain a list of staff authorised to undertake treasury management transactions on behalf of the Council.

13.3 The Chief Finance Officer is authorised to approve any movement between borrowing and other long-term liabilities within the Authorised Limit. Any such change will be reported to the next meeting of the Council.

13.4 The impact of these policies will be reflected as part of the Council's revenue budget and therefore will be reported through the quarterly budget monitoring process.

13.5 The Council's management and evaluation arrangements for Treasury Management will be as follows:

- Monthly monitoring report to the Chief Finance Officer, Executive Lead for Finance, relevant Director and Group Leaders
- Periodic meeting of the Treasury Manager/Chief Finance Officer to review previous months performance and plan following months activities
- Regular meetings with the Council's treasury advisors

- Annual meetings with the Council’s appointed Fund Managers
- Membership and participation in the Capita Benchmarking Club
- The Audit Committee is the body responsible for scrutiny of Treasury Management.

14. Other Matters

14.1 **Loans to organisations.** The Council has provided loans or loan facilities to the following organisations. These are policy decisions and not part of the treasury management strategy except for identifying any impact on cash balances:

Organisation	Value of loan at 01/04/15	Full Term of Loan	Rate
Torbay Economic Development Company*	£575,000	25 years	Linked to Council borrowing Rate
Torbay Economic Development Company*	£1,455,000	25 years	Linked to Council borrowing Rate
Academy Schools	£213,000	3 to 7 years	Linked to Council borrowing Rate
Babbacombe Cliff Railway	£13,000	10 years	Linked to Council Borrowing Rate
Housing Loans	£2,000	No new loans issued. Term linked to individual mortgages	Linked to market mortgage rates
Sports Clubs	£30,000	20 years	Linked to Council Borrowing Rate
Sports Clubs	£5,000	10 years	Linked to Council Borrowing Rate
Suttons Seeds Ltd **	£1,500,000**	3 years	Market rate
Torbay Coast & Country side Trust	£900,000	45 years	Linked to Bank Base Rate

*Not fully drawn down as at 31st December 2015

**Original advance repaid and no further drawdowns on the facility to date

The current overall rate of interest on these loans is around 4%.

14.2 **Advancing cash**. If approved the Council will advance cash to Torbay Council schools at a rate equivalent to that of the forecast investment yield (to reflect the lost investment opportunity), with the option of an additional 0.25% risk premium. The service will have to identify the funding for this advance from revenue or reserves in the year of the advance.

14.3 **Investing cash for Local Payment Scheme (LPS) Schools.** If agreed by the Chief Finance Officer the Council will invest LPS school surplus balances on a temporary basis and endeavour to match Bank Rate on these investments on a variable basis. This will be for cash on a longer-term basis and will not apply to daily cash flow balances.

14.4 **Soft Loans.** New Financial Instruments require the recognition of soft loans i.e. where a loan is made at a lower than ‘competitive’ rate the cost implicit in achieving the lower rate must be reflected in the Council’s accounts.

14.5 **Anti-Money Laundering.** The Council will comply with all relevant regulations.

14.6 **Intranet**. The Council’s treasury management procedures and other relevant documents can be accessed on the Council’s intranet site within the financial services pages.

Appendices

Annex 1	Prudential and Treasury Management Indicators
Annex 2	Policy on Minimum Revenue Provision for 2016/17
Annex 3	Interest Rate Forecasts 2016 – 2019
Annex 4	Economic Background
Annex 5	Creditworthiness Policy
Annex 6	Specified and Non-specified Investments
Annex 7	Review of Peer to Peer Lending

Annex 1

Prudential & Treasury Management Indicators 2016/17 – 2018/19

Affordability prudential indicators

Section 5 of the report covers the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Ratio	9.11	10.30	10.70	11.42

The estimates of financing costs include current commitments and the proposals in this budget report.

Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax

%	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council tax - band D	0.00	1.09	1.52	1.53

<u>Limits on Borrowing and Long-Term Liabilities</u>

***The Operational Boundary*.** This is the limit beyond which external borrowing and long-term liabilities are not normally expected to exceed. In most cases, this would be linked to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	148	167	170	170
Long term liabilities	40	40	38	36
Total	188	207	208	206

***The Authorised Limit for external borrowing and long-term liabilities*.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	167	194	202	209
Other long term liabilities	40	40	38	36
Total	207	234	240	245

Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits

Interest rate Exposures				
	2015/16 Upper %	**2016/17 Upper %**	**2017/18 Upper %**	**2018/19 Upper %**
Limits on fixed interest rates:				
• Debt	100	100	100	100
• Investments	80	80	80	80
Limits on variable interest rates:				
• Debt	30	30	30	30
• Investments	75	75	75	75

Maturity Structure of fixed interest rate borrowing 2016/17			
	Lower	**Upper**	**Projected 31/03/2017**
Up to 10 years	5%	50%	19%
10 to 20 years	5%	50%	19%
20 to 30 years	10%	60%	24%
30 to 40 years	10%	50%	27%
Over 40 years	0%	50%	11%

Investment Treasury Indicator and Limit

Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The limits below allow for the external Fund Manager holding along with 50% of the in-house total to be fixed longer term.

Maximum principal sums invested for over 364 days					
£m	**2014/15 Actual**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Principal sums invested > 364 days	27	51	28	16	12

Annex 2

Policy on Minimum Revenue Provision for 2016/17

1. The Minimum Revenue Provision is a statutory charge that the Council is required to make from its revenue budget. This provision enables the Council to generate cash resources for the repayment of borrowing.

2. The calculation of the provision is prescribed by legislation, which states that Councils are required to "determine for the current financial year an amount of MRP that it considers to be prudent" and prepare an annual statement on their MRP calculation to their full Council.

3. One of the aims of this legislation is to ensure that the repayment of principal owed for capital expenditure funded from unsupported borrowing is charged on a prudent basis. Central Government guidance says:

   "*the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant."*

4. The provision for all assets, irrespective of asset life, for expenditure funded from supported borrowing and prudential borrowing prior to 2007/08 will continue to be charged at a minimum 4% per annum which is in line with central government's "support" for these costs within the Council's formula grant.

5. Torbay Council's Annual Minimum Revenue Provision Policy Statement states that the calculation of the MRP is as follows:

   i) The Council will budget as a minimum for a provision of 4% of its capital financing requirement calculated as at 31st March of the preceding financial year. The capital financing requirement (CFR) is a calculation of a Council's "need to borrow" which is, in summary, the total of expenditure funded from borrowing less any repayments or similar previously made.

   To calculate the 4% provision the Council will use the "regulatory method" as identified in the Department of Communities and Local Government's (DCLG) Informal Commentary on the legislation.

   This calculation allows for the adjustments of the following items:

   - Deducting any expenditure and revenue provision made in relation to unsupported borrowing after 2007/08. The charge for unsupported borrowing after 2007/08 is calculated separately as described in paragraph ii below.

   - "Adjustment A" which relates to a previous calculation change in 2004

- Adjustment of MRP to ensure no disadvantage results to Councils from the regulations compared to previous MRP regulations Adjustment of MRP to ensure no disadvantage results to Councils from the requirements for accounting for Finance Lease and Private Finance Initiative schemes

ii) For capital expenditure funded from unsupported borrowing, less any repayment to date, the Council will make a provision based on the cumulative expenditure incurred on each asset in the previous financial years using a prudent asset life, which reflects the estimated usable life of that asset.

The Council will use the “asset life method” for the calculation.

For 2016/17 unsupported borrowing will be further classified as either operational or investment, based on the expected use of the underlying asset.

The MRP for each operational asset will be calculated, as in previous years, using an annuity calculation based on the Council’s estimated pooled borrowing interest rate for the relevant year as detailed in the Treasury Management Strategy for that year. An adjustment to the MRP calculation will be made where there is expenditure in the previous financial year, but the asset is not yet operational. MRP will be calculated on the total expenditure on that asset in the year after the asset becomes operational.

The MRP for each investment asset will be calculated on the equal instalment method over the estimated life of the asset up to 50 years. An adjustment to the MRP calculation will be made where there is expenditure in the previous financial year, but the asset is not yet ready for service. MRP will be calculated on the total expenditure on that asset in the year after the asset becomes available for rent.

6. Where relevant, the suggested asset lives for certain types of capitalised expenditure as detailed in the MRP guidance issued by DCLG will be used.

7. The Council will continue to charge services for their use of unsupported borrowing using a prudent asset life (or a shorter period) and, if an operational asset an annuity calculation or if an investment asset an equal instalment calculation. Where possible the same asset life and borrowing interest rate will be used for both the charge to services and the calculation of the MRP.

8. In exceptional circumstances a Service may be allowed to extend the repayment period beyond the prudent asset life but this may be limited to the interest element. The increased revenue cost over the longer term will be a Service issue.

9. The Council will not change its existing “Adjustment A” calculation.

10. To mitigate any negative impact from the changes in accounting for leases and PFI schemes the Council will include in the annual MRP charge an amount equal to the amount that has been taken to the balance sheet to reduce the balance sheet liability for a PFI scheme or a finance lease. The calculation will be based on the annuity method using the Internal Rate of Return (IRR) implicit in the PFI or lease agreement.

11. Loans

Where loans are given for capital purposes they come within the scope of the prudential controls established by the Local Government Act 2003. Regulation 25(1) (b) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 No 3146).

If a loan agreement does not include contractual commitments that the funds be put towards capital expenditure no MRP will be made, if however capital contract commitments are included then an MRP will be made on a prudent basis using Option 3 linked to the life of the asset being funded.

The Capital Financing Requirement (CFR) will increase by the amount of the loan. Once the funds are returned to the local authority, the returned funds are classed as a capital receipt with those receipts being earmarked specifically to that loan, and the CFR and loan will reduce accordingly. As this is a temporary arrangement and the expectation is that funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The position will be reviewed on an annual basis.

12 The Chief Finance Officer will be fully reviewing this MRP policy in the coming months. The review will consider alternative options, the assessment may result in proposed changes to the above 2016/17 policy. If the 2016/17 policy does need updating the amendments will be presented within the Treasury Management Mid-Year Review report in the autumn of 2016.

Annex 3

Interest rate Forecasts 2016 - 2019

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective for new borrowing as of the 1st November 2012.

Capita Asset Services Interest Rate View													
	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
3 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	1.00%	1.10%	1.30%	1.40%	1.50%	1.60%	1.80%	1.90%
6 Month LIBID	0.70%	0.70%	0.80%	0.90%	1.00%	1.20%	1.30%	1.50%	1.60%	1.70%	1.80%	2.00%	2.20%
12 Month LIBID	1.00%	1.00%	1.10%	1.20%	1.30%	1.50%	1.60%	1.80%	1.90%	2.00%	2.10%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
25yr PWLB Rate	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
50yr PWLB Rate	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%
Bank Rate													
Capita Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
Capital Economics	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	-	-	-	-	-
5yr PWLB Rate													
Capita Asset Services	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
Capital Economics	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
10yr PWLB Rate													
Capita Asset Services	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
Capital Economics	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
25yr PWLB Rate													
Capita Asset Services	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
Capital Economics	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
50yr PWLB Rate													
Capita Asset Services	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%
Capital Economics	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

Annex 4

Economic Background (supplied by Capita asset Services, 21/12/2015)

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel prices will now delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase. There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 has prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this lacklustre progress in 2015 together with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;
- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Annex 5

Creditworthiness policy

1. This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

   - credit watches and credit outlooks from credit rating agencies;
   - CDS spreads to give early warning of likely changes in credit ratings;
   - sovereign ratings to select counterparties from only the most creditworthy countries.

2. This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of Credit Default Swap (CDS) spreads for which the end product is a series of colour coded bands, illustrated below which indicate the relative creditworthiness of counterparties. The Chief Finance Officer applies and reviews suitable financial and durational limits to each of these bands.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	**1.25**	**1.5**	**2**	**3**	**4**	**5**	**6**	**7**
up to 5yrs	up to 5yrs	up to 5yrs	up to 2yrs	up to 2yrs	up to 1yr	up to 6mths	up to 100days	no colour

3. A specific creditworthiness colour band has been created for UK part-nationalised Banks which is based upon the implicit sovereign government guarantee in these institutions in place of their individual credit ratings. (This band is now effectively limited to the Royal Bank of Scotland Group.)

4. The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

5. All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service and the CFO will vary the approved lending list as appropriate to these changes.

   - if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
   - in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

6. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ and also have banks operating in sterling markets. The list of countries that qualify using this credit criteria as at the date of this report (based on the lowest available rating) are shown below and this list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

AAA		AA+
Australia	Netherlands	United Kingdom
Canada	Norway	
Denmark	Singapore	
Finland	Sweden	
Germany	Switzerland	
Luxembourg	USA	

6. Sole reliance will not be placed on the use of this external service. In addition the CFO will also use market data and market information, information on government support for banks and the credit ratings of that government support.

7. The Council uses an external fund manager to manage a proportion of the investment portfolio available to offset the borrowing requirement. The use of an external fund manager allows the Council to spread its treasury risk in relation to type of investment, investment counterparties and manager opinion.

8. The external fund manager will comply with the Annual Investment Strategy. The agreement between the Council and the fund manager additionally stipulates guidelines and duration and other limits in order to contain and control risk.

9. The fund manager mandate allows for additional amounts to be placed and the CFO will exercise this option if this is deemed to be in the best interests of the Council up to a limit of 50% of the total portfolio. As Council's cash investment reduce it is likely the Fund Manager holding will be correspondingly decreased. The Council retains the right to withdraw all or part of the fund at seven days notice.

Annex 6

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria.
A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

SPECIFIED INVESTMENTS:
All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.

	*** Minimum 'High' Credit Criteria**	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	LAs and other public bodies classified as colour band "Yellow"	In-house
Term deposits – banks and building societies	Creditworthiness system colour band "Green" and above	In-house and Fund Manager
UK part nationalised banks	Creditworthiness system colour band blue	In-house and Fund Manager
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating AA+	In-house and Fund Manager
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	* MMF rating AAA	In-house and Fund Managers
2. Money Market Funds	* MMF rating AAA	In-house and Fund Managers
3. Enhanced Money Market Funds with a credit score of 1.25	* MMF/bond fund rating	In-house and Fund Managers
4. Enhanced Money Market Funds with a credit score of 1.5	* MMF/bond fund rating AAA	In-house and Fund Managers
5. Bond Funds	* bond fund rating AAA	In-house and Fund Managers
6. Gilt Funds	* bond fund rating AAA	In-house and Fund Managers

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria.
A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The maturity limits recomended will not be exceeded. Under the delegated powers the Chief Finance Officer can set limits that are lower based on the latest economic conditions and credit ratings.

Investment Type	Minimum Credit Criteria	Use	Max investment or % of total investments	Max. maturity period *
UK nationalised/part-nationalised banks (maturities over one year)	Creditworthiness system colour band "Blue"	In-house and Fund Manager	50%	2 years
Term deposits (over one year) – local authorities and other public sector bodies	LAs and other public bodies classified as colour band "Yellow"	In-house	50%	5 years
Term deposits (over one year) – banks and building societies	Creditworthiness system colour band "Purple"	In-house and Fund Manager	75%	2 years
Certificates of deposits issued by banks and building societies (maturities under one year)	Creditworthiness system colour band "Green" and above	In-house and Fund Manager	50%	1 year
Certificates of deposits issued by banks and building societies (maturities over one year)	Creditworthiness system colour band "Purple"	In-house and Fund Manager	50%	1 year
UK Government Gilts/Treasury Bills	Sovereign rating AA+	In-house and Fund Manager	100%	5 years
Bonds issued by multilateral development banks	AA+	In-house and Fund Manager	50%	5 years
Sovereign bond issues (other than the UK govt)	Sovereign rating AA+	In-house and Fund Manager	50%	5 years
Structured Deposits	Creditworthiness system colour band "Orange" <1 year "Purple" >1 year	In-House	25%	2 years
Commercial paper issuance by UK banks covered by UK Government guarantee	Sovereign rating AA+	Fund Manager	35%	5 years
Commercial paper other	Creditworthiness system colour band "Red" and above	Fund Manager	35%	5 years
Floating Rate Notes	Long-term AA	In-house and Fund Manager	35%	5 years
Property Fund: *the use of these investments would normally constitute capital expenditure*	--	In-house and Fund Manager	£10million	5 years
Property Fund: *not classified as capital expenditure*	--	In-house	£10million	5 years

Investment Type	Minimum Credit Criteria	Use	Max investment or % of total investments	Max. maturity period *
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):- 1.Bond Funds 2.Gilt Funds	AAA	Fund Manager	35%	5 years
Corporate Bonds	AA	In-house and Fund Manager	35%	5 years
Other debt issuance by UK Banks covered by UK Government guarantee	Sovereign rating AA+	In-house and Fund Manager	35%	5 years
Peer to Peer Lending	Funding Circle rating B or equivalent	In-House	£200,000	5 years

*Of which in any class of investment:

- 10% maximum 3 years (or over)
- 25% maximum 2 to 3 years

Annex 7

Review of Peer to Peer Lending (as at 23rd December 2015)

At its meeting on 22nd October 2015 Council approved:

"that the Annual Investment Strategy be varied to allow diversification of the investment portfolio into higher risk investments, initially on an experimental basis, and approve investment in one or both of the following instruments:

- peer to peer lending – with overall investment of £100,000; maximum individual loan amount of £1,000; maximum loan term of five years; and limited to credit ratings 'A+', 'A' and 'B'; and
- The CCLA Local Authorities Property Fund."

In response Officers have registered the Council with Funding Circle, one of the leading peer to peer providers and to date have applied an investment sum of £60,000 (in tranches of £10,000)

Of this sum:

- £59k has been applied to active loans spread over 105 businesses
- £1k is currently bid on 2 loans yet to be applied.

The Council's contributions represent a small element of each overall loan. Loan amounts generally range from £200 to £1000 maximum. This maximum has only been applied to secured loans such as property related loans where investors have a first charge over the assets. The proportion of secure/unsecured loans is:

Secured Loans	37%
Unsecured loans	63%

The maximum exposure to any one business is 1.7% of the overall investment.

The proportion of loans by risk rating is:

A+	75%
A	16%
B	9%

The proportion of loans by duration rating is:

Up to 1 year	19%
1 to 2 years	25%
2 to 3 years	13%
Over 5 years	43%

The **gross return** on active loans stands at **8.9%**
The expected **net yield**, after charges and assumed bad debt, is **6.8%**

Earnings to date are:

	£
Interest	215.66
Promotions	245.20
Less: charges	(25.82)
Net income	435.04

There have been no defaults on any Council backed loan so far.

Loan repayments are received on the month anniversary of each loan part consisting of principal and interest (interest only on property related loans), net of a fee of 1%.

Reliance is placed on the Funding Circle's evaluation of Business's and its risk ratings for loan selection. Officers have viewed individual loan requests during this experimental period but separate assessment will not be practical given the high volume of loan bids and available resources.

While loan selection will therefore be "one-click" process, the CFO has ruled that the use of the automated bidding system is not appropriate for Council funds and Officers will continue to "have sight" of each loan by manual selection.

Meeting: **Overview and Scrutiny Board** **Date: 27th January 2016**

Council **3rd February 2016**

Wards Affected: All Wards

Report Title: Revenue Budget Monitoring 2015/16 – Quarter 3

Is the decision a key decision? No

When does the decision need to be implemented? n/a

Executive Lead Contact Details: Mayor Oliver, mayor@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Chief Finance Officer (CFO), Martin.phillips@torbay.gov.uk

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1. Purpose and Introduction

1.1 The quarterly revenue monitoring report provides a summary of the Council's revenue income and expenditure for the financial year 2015/16.

1.2 As at quarter three the Council's revenue budget is predicting an over spend of £2.7m primarily as a result of expenditure pressures in both childrens and adults social care, offset by savings in other services.

2. Recommendation (s) / Proposed Decision

Overview and Scrutiny Board:-

2.1 That the forecast 2015/16 revenue budget position be noted.

2.2 That Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the current position.

Council:-

2.3 That the forecast 2015/16 revenue budget position be noted.

3. Reason for Recommendation/ Proposed Decision

3.1 Report for review and information.

Supporting Information

4. Position

4.1 Summary Position

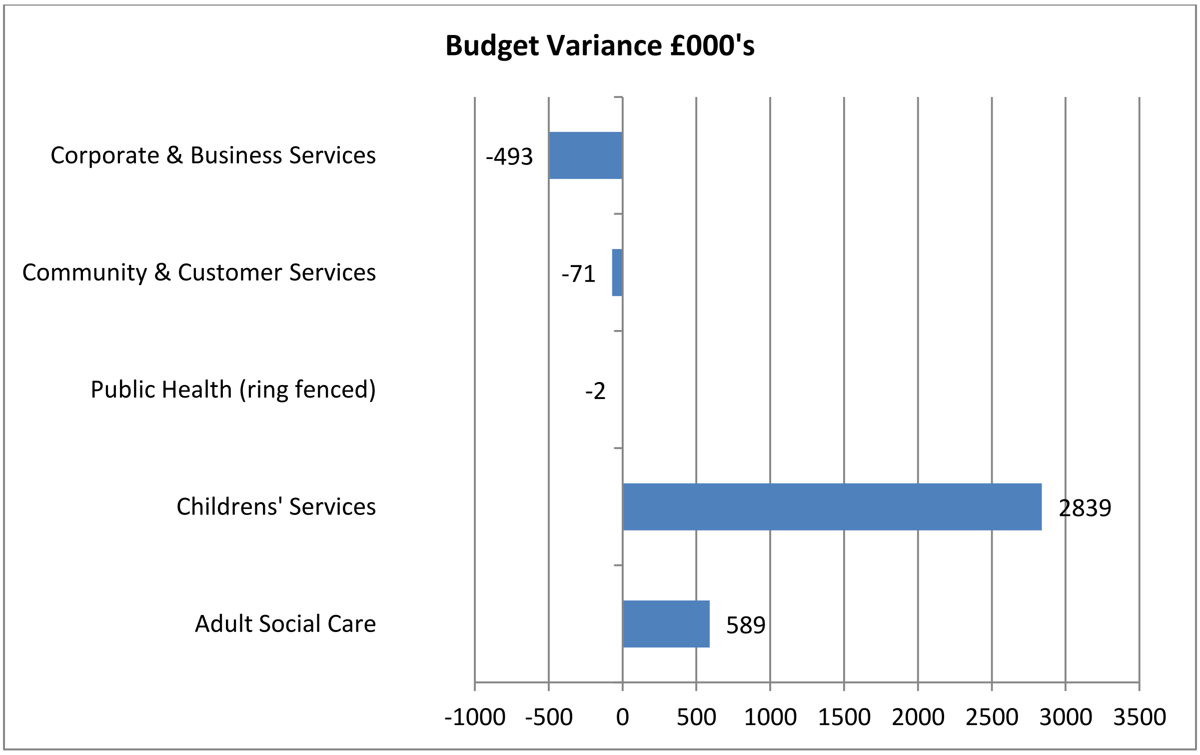
4.2 As at Quarter Three the Council's revenue budget is predicting an overspend of £2.7m primarily as a result of issues in both children's and adults social care.

4.3 From October 2015, with the start of the Integrated Care Organisation (ICO), the Council now has a 9% risk share of the total financial performance of the ICO (approx £400m). The ICO is predicting an over spend in 2015/16. Torbay's share of the estimated forecast position for the last six months of the year is estimated to be £0.2m which is part of an overall net forecast overspend of £0.6m for the year in all adult social care budgets.

4.4 The predicted overspend on children's social care of £2.8m is primarily the non achievement of planned savings linked to the children's services cost recovery plan and the continued high use of agency staff.

4.5 This level of overspend is a cause for concern. In the absence of any compensating savings in other services Council will need to identify options to fund the over spend.

4.6 A bar chart summarising the projected budget variance by service for 2015/16 is as follows.



4.7 Detailed Position

4.8 The budget position for each service is shown in the table below:

Service	2015/16 Budget- revised as at January 2016			Forecast Full Year Variance as at Qtr 3	Direction of Travel (Qtr 2 to Qtr 1)
	Expenditure £000s	Income £000's	Net £000's	£000's	
Adult Social Care	42,598	-802	41,796	**589**	R
Children's Services	83,496	-54,751	28,745	**2,839**	R
Public Health	9,751	-9664	87	**-2**	G
Joint Commissioning	**135,845**	**-65,217**	**70,628**	**3,426**	R
Community Services	32,241	-7,193	25,048	**-34**	G
Customer Services	73,922	-69,567	4,355	**-37**	G
AD Community & Customer Services	**106,163**	**-76,760**	**29,403**	**-71**	G
Commercial Services	6,269	-2,011	4,258	**-3**	G
Finance	21,152	-15,352	5,800	**-584**	R
Business Services	5,972	-10,117	-4,145	**-56**	G
Regeneration & assets	7,037	-2,420	4,617	**0**	
Spatial Planning	1,184	-825	359	**150**	R
AD Corporate & Business Services	**41,614**	**-30,725**	**10,889**	**-493**	G
Total Expenditure	**283,622**	**-172,702**	**110,920**	**2,862**	
Sources of Funding	-	-110,920	-110,920	**-150**	G
Net Expenditure	**283,622**	**-283,622**	**0**	**2,712**	R

4.9 A narrative of the position in each service area is as follows:

Service	Variance to Budget £m	Main Variances in 2015/16
Adult Social Care	0.6	The Council risk share for the first six months of the financial year with (former) Provider Trust was £0.4m. From 1st October the Integrated Care Organisation started and the Council's share of risk from that date changed to a 9% risk share of the total position of the, then combined, Torbay and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of £400m. Financial performance of SDH is reported to its

		board – minutes are available on the link below: http://www.sdhct.nhs.uk/about-us/board-meetings The projected overspend for the Council's share for the last six months of the year is £0.2m In other adult social care budgets there is a continuation of the prior year pressures on the Joint Equipment Store but at a lower level following management action (+£0.2m), and lower than budgeted costs due to changes in the profile of other adult social care contracts and staffing costs. (-£0.2m).
Children's Services	2.8	The over spend is primarily linked to the non achievement of the reductions identified in the Childrens' cost recovery plan. The number of children in residential care is not falling at the rate laid out in the five year plan. The Plan approved by Council in October 2014 projected that the service would require the use of £2.3m of reserves in 2015/16 to achieve a balanced position. The net overspend is currently in excess of that figure by a further £2.8m. The number of Children Looked After (CLA) is 290 as at 31/12/15 (297 30/9/15). Due to the number of children (201 as at 31/12/15) in longer term placements ("legacy cases") the opportunity to reduce costs has been limited. Some client costs have increased as some clients have moved from fostering to residential care. The level of agency staff remains high with spend to end December in excess of £2.3m, although this is partly offset by reduced salary costs, the forecast spend is £3.1m which after offsetting savings in pay costs is forecast to be £0.5m overspent.
Public Health	0	Ring fenced budget – in year reductions from central government in 15/16 grant now confirmed at £0.550m. This will be funded by a combination of the use of the existing ring fenced public health reserve and a reduction in public health initiatives.
Community and Customer Services	(0.1)	Community Services: Projected overspends on CCTV, Licensing, Housing Options, Torre Abbey, theatres and sport. These are offset by senior management salary savings, additional income, other vacancy management and a moratorium on spend.

Corporate Services and Business Services	(0.5)	Expected saving on “corporate” pension payments, and both savings and increased income in treasury management activities. The potential income shortfall in commercial services has been offset by one off income in relation to land charge fees. The planning fee income target in 21015/16 is not expected to be achived with some developments now likely to proceed in 2016/17.
Sources of Funding	(0.1)	Grant higher than budget
Total	**2.7**	Projected overspend

4.10 2015/16 Savings

4.11 The 2015/16 budget relied on the achievement of £11m of approved savings. The Council’s senior leadership team have been monitoring the achievement of these savings as part of the current year budget monitoring. The majority of savings are being achieved, however the main areas of variance are, as identified above, within social care.

4.12 Risks & Sensitivity

4.13 The predictions for the full year outturn in this report are based on nine months of financial information and will be subject to changes in both assumptions and demand.

4.14 Historically the Council’s overall position improves in the last quarter of the year as actual expenditure and income for the year is finalised.

4.15 There are a number of financial risks facing the Council. Key risks were identified in the Revenue Outturn report to Council in July and some of these are now having an impact on the current financial year.

Risk	Impact	Mitigation
Achievement of £11m of approved savings for 2015/16	High	15/16 Budget monitoring and "saving tracker" monitored by senior staff.
Potential cost impact of the Council’s 9% risk share of total ICO performance	Low, but new risk	Monthly information will be provided by ICO to Council supported by “contract” meetings
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2015/16 social care contingency to fund if required.
Achievement of Childrens’ Services cost reduction plan	High	Regular monitoring of performance and recovery plan.
Identification, and achievement,	High	Issue identified in Medium Term

of £33m of savings for 2016/17 to 2018/19		Resource Plan. 2016/17 budget proposals issued 6th November 2015. Four year Efficiency Plan to be drawn up.
Additional demand for services particularly in both adults and childrens' social care	High	15/16 Budget monitoring, use of service performance data and recovery plan.

4.16 Implications on 2016/17 Budget

4.17 A number of 2015/16 budget monitoring issues link directly to the 2016/17 budget proposals. In some cases where a saving has been achieved in 2015/16 this has been reflected in 2016/17 budget proposals.

4.18 The areas of higher risk are in social care. In adult social care the impact of the current year position has been reflected in the ICO's financial planning and Cost Improvement Plans for 2016/17.

4.19 In children's social care to reflect the current year position there have been no budget reductions in safeguarding and £2m has been proposed to be invested in the service offset, in part, by the planned reduction in the use of earmarked reserves per the October 2014 Childrens Services Plan. A considerable amount of focus has been placed on the children's services budget by both staff and members including the work of the Audit Committee. The 2016/17 budget proposals will include a progress report from the Director of Childrens Services on the financial plan and its achievability in 2016/17.

4.20 2016/17 Budget Process

4.21 The Mayor presented his budget proposals for 2016/17 in November 2015 for consultation. The 2016/17 Budget is being presented to Council on 3rd February 2016 prior to adjournment to Council on 11th February 2016.

4.22 The provisional Local Government Finance Settlement for 2016/17 was published in December 2015 and Priorities and Resources Panel have been provided an update.

4.23 Balance Sheet issues

4.24 No long term borrowing was taken or repaid so the Council's long term borrowing remained at £138m which was within the Council's approved Operational Boundary and Authorised Limit (for debt and long term liabilities as set by Council In February 2015).

4.25 The Council has interests in a number of companies. The financial performance for 2014/15 of these companies is included in the Council's statement of accounts (link below).

Background Documents

2015/16 Budget Digest & supporting reports including 2015/16 Review of Reserves.

http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=574&MId=6261&Ver=4

Medium Term Resource Plan

http://www.torbay.gov.uk/index/yourcouncil/financialservices/budget/budget2016-17.htm

2014/15 Statement of Accounts

http://www.torbay.gov.uk/statementofaccounts.

2016/17 Budget Proposals – November 2015.

http://www.torbay.gov.uk/budget2016-17

Agenda Item 3
Appendix 6

Overview & Scrutiny
Confidence in your Council

Priorities and Resources 2016/2017

Report of the Overview and Scrutiny Board to the Mayor and Council

January 2016

Contents

1. Introduction

1.1 The Mayor's Draft Revenue Budget Digest was published on 6 November 2015. The Digest set out the proposed budget for each Council service for 2016/2017 including the proposals for service change, income generation and savings. The Priorities and Resources Review Panel was established to scrutinise the proposals and to make comments, conclusions and recommendations as necessary.

1.2 The Review Panel comprised the councillors on the Overview and Scrutiny Board and it met in November and December 2015 and January 2016. At its meetings, the Panel heard from the Mayor and his Executive Leads as well as officers from the Senior Leadership Team. The Panel examined the rationale for the proposals and information was sought about the services which would continue to be delivered including the costs of those services.

1.3 At the time the Draft Revenue Budget Digest was published the Government's Comprehensive Spending Review and the Local Government Settlement had not been announced. The proposals put forward were based on the Council's Medium Term Resource Plan which showed that the Council had an estimated funding gap of £33 million over the next three years with reductions of more than £12 million needed in 2016/2017.

1.4 The Department for Communities and Local Government announced the provisional Revenue Support Grant (RSG) allocation in the Local Government Finance Settlement on 17 December 2015. The Panel heard that the key issues arising from the announcements (to date) were:

- A four year RSG would be introduced which councils would have the choice of accepting subject to the production of an "efficiency plan".
- Torbay Council's RSG would reduce from a (re-stated) £27 million in 2015/16 to £20 million in 2016/2017 and to £6 million by 2019/20.
- The Local Government Association estimated that nationally there would be a 24% reduction in core council funding over four years.
- The Care Act Grant now formed part of the RSG meaning that future Care Act costs would need to be met by councils.
- Local authorities with responsibility for adult social care would be able to increase Council Tax by a further 2% to be spent on adult social care. In addition, Council Tax Freeze Grants would no longer be provided with the referendum limit for Council Tax rises (excluding the adult social care element) being set at 2%. The Department for Communities and Local Government forecasts of spending power assumed that Council Tax would rise, implying a shift from national to local taxation. The Department also assumed that Council Tax rises would be linked to the Consumer Prices Index (CPI).
- Councils would retain 100% of National Non-Domestic Rates (NNDR) by the "end of parliament" – Council's currently retain 49%. The introduction of this change would be "fiscally neutral" as RSG and other funding would be adjusted and, as yet unnamed, new responsibilities passed to councils.
- The Public Health Grant for 2016/17 had not yet been announced but was expected to be a further 4% reduction in addition to the 6% reduction in year for 2015/16.

2. General Findings

2.1 The Panel felt that the Council was not putting its income earning services under the same pressure to identify efficiency savings as it was putting on those organisations that were currently grant funded. For example, it was proposed to reduce the grant to Torquay and Brixham Museums but the budget for Torre Abbey would remain unchanged. The Panel believe that the Council should be more commercially driven and that there needs to be a concerted effort to market ourselves more effectively.

2.2 In considering the proposed budget for Community Services the Panel identified a number of issues which may be included within the Work Programme of the Overview and Scrutiny Board; namely:

- Business Case and Risk Register for the Air Show – to understand any associated financial risks
- Update report on the Geopark Conference – to review the potential future use of the reserves being held for this event
- Business Cases for future planned large events – to scrutinise plans before decisions are made
- Business Case and Marketing Plan for the Velopark – to review whether the business case is being met, how income can be increased and whether lessons can be learnt for future business cases
- Business Case associated with the Heritage Lottery Funding for Torre Abbey – to consider the impact of any future funding reductions in light of the conditions of the Heritage Lottery Fund grant
- Options Appraisal in relation to public toilets
- The usage of the Right to Buy clawback monies to support affordable housing schemes and full details of the Business Case for the Self Build Programme.
- The outcome of the parking review – to allow for scrutiny before any final decision is made.

2.3 There is a need for the Council to start making difficult decisions about the use of its resources moving forward. The Panel is disappointed that no major proposals have been developed in relation to services such as public toilets, libraries, parks and sports pitches. The Panel does not feel that the Council is working fast enough to transform services to reduce costs. There does not appear to be the long term planning to involve the community in those difficult decisions.

3. Children's Services

3.1 The Panel considered the proposals put forward in relation to Children's Services for service change, income generation and savings. Over the course of the review, the Panel also received updates from the Chairman of the Audit Committee on the progress of that Committee's work to review the Children's Services revenue budget and the Five Year Cost Reduction Plan. The Panel also considered the findings from the Ofsted Inspection of services for children in need of help and protection, children looked after and care leavers and the subsequent improvement plan prepared in response.

3.2 In response to questioning by the Panel, the Executive Lead for Children's Services and the Director of Children's Services prepared a report for consideration which focussed on the change to the budget for 2016/2017 and explained how Children's Services would be managed to ensure that service delivery costs remain within the proposed financial envelope of £29 million.

4. Adult Social Care

4.1 The Panel heard from the Director of Adult Services that there continued to be demand pressures within adult social care mainly from the needs of an ageing population and from price pressures such as pension costs and the cost of implementing the Living Wage. However, it was noted that the strategy to develop the integrated care organisation (ICO) fitted with the NHS Five Year Forward View. The ICO (Torbay and South Devon NHS Foundation Trust ("the Trust")) was established on 1 October 2015 with a business plan which aimed to reduce bed-based care through the development of Local Multi-Agency Teams. At its meeting held in January, representatives of the Trust attended and gave further details of the proposals being put in place to meet the funding requirements of its commissioners.

4.2 It was noted that a 3% year-on-year reduction had been included within the contract for the ICO which amounted to £1.1 million in 2016/2017 (proposal 2.1). The Panel heard from the Trust that this figure had been met through the economies of scale of bringing together the two previous Trusts to create the ICO. A further saving of £700,000 (proposal 2.3) had also been identified by the Council and the Panel heard that this was now assumed to be covered by the additional 2% Council Tax rise for adult social care.

4.3 However, the Panel heard that the Trust was still working to identify Cost Improvement Programmes (CIP) to meet its overall reducing resources (including the previously deferred adult social care saving of £1.566m). Whilst four adult social care CIP proposals were shared with the Panel, it was also noted that the NHS Growth Allocation being held centrally was larger than had previously been the case and that the Trust would be aiming to maximise the amount of this money that it received.

4.4 Given the establishment of the ICO and the level of funding which the Council provides (in amongst a much larger amount of commissioning from the NHS), the Council must recognise the need to set up robust monitoring of the Annual Strategic Agreement with the aim of ensuring performance targets are met and that the Council and the Trust are able to deliver services within budget.

5. Public Health

5.1 The Panel considered the budget proposed for Public Health and noted that in 2015/2016 an in-year reduction of 6.2% was required with the expectation that there would be a further reduction made to the grant for 2016/2017. The Director of Public Health reported that she had a five year budget plan which showed where it was planned to reduce funding but that many of the functions undertaken by her team where mandatory. It was also noted that Public Health supported other functions within the Council which were deemed to have a public health role.

5.2 The contract for the Community Development Trust (CDT) is managed within Public Health. It was felt that further consideration should be given in the coming months to the outcomes of the CDT and how it was planning on becoming self-sustaining moving forward. To this end, it was felt that the CDT should attend a future Councillor Conversation.

6. Community Services

Community Services – Food Safety, Licensing, Trading Standards etc

6.1 When the Panel met in November, it heard that the proposal to reduce the budget by £292,000 across the Community Services portfolio (proposal 3.1) would involve a reduction in staffing. The Executive Lead reported that he was not comfortable with the proposals especially how they would impact on the food safety service and that he would be asking the Mayor to add money back into the proposed budget.

6.2 It was reported to the Panel in January that additional income had been identified within the food safety team and that the trading standards service had been reviewed. This meant that staff within both teams could be retained.

6.3 It was also reported that a street warden presence would be maintained within Torquay Town Centre and that options were continuing to be explored in relation to the street warden service. It was, however, highlighted that the decision had been taken in February 2015 to cease the service from April 2016.

6.4 The Panel believe that the enforcement regime across the whole Council should be reviewed in order to minimise the potential reputational damage to the Council moving forward. This would take account of the possible alternative provision being explored in relation to street wardens which is considered a valuable service. The Panel question whether ceasing the street warden service would shunt costs onto other parts of the Council and the public sector as a whole. It is the only service in Torbay which clearly targets those areas which are most deprived (as detailed in the recent Indices of Multiple Deprivation). The Panel found no evidence of other such targeted services.

6.5 The Panel concluded that the street warden service should be retained although it was recognised that a different approach may be needed.

Sport

6.6 The Panel questioned how the proposal to reduce the funding for Swim Torquay and Admiral Community Pool in Brixham fitted with the ambition within the Corporate Plan to have a Healthy Torbay. It questioned whether reducing the level of smaller grants to community organisations was the best use of resources as these grants normally enabled alternative sources of income to be identified.

6.7 The Panel wished to examine whether the provision of sports pitches exceeded the demand. It was explained that a piece of work was currently being undertaken to this end. The Board felt that the Council was not currently in the position of being able to provide sports pitches which were not being used.

Highways

6.8 There were a number of concerns raised about the proposed reduction in funding for highways (proposal 3.5) including:

- Virtually all residents of and visitors to Torbay used the roads and pavements
- Only the Council can provide the service
- The proposed reduction was disproportionate to other proposals (10% cut in highways spending, 1% cut in spending on sports)

- At current levels of spend, the Council would still have a long term issue with the condition of the roads

- The condition of the roads is the issue that ward councillors get contacted about the most

6.9 There are long term consequences of not maintaining highways and by retaining the budget at the current level the Council could be saving future costs. However, the revenue budget could also be used to fund prudential borrowing for the highways. The Panel felt that further consideration should be given by the Mayor to this proposal with a suggestion that (i) as the Local Government Settlement was better than expected, the revenue budget be maintained; or (ii) the Geopark Reserve could be utilised for this purpose if it wasn't needed for the forthcoming conference. In any event, options for the future maintenance of Torbay's highways should be considered with a report back to the Overview and Scrutiny Board in the coming months.

6.10 Similar concerns were raised about the reduction of £100,000 from the **Corporate Maintenance** budget (proposal 7.1). Whilst the Panel reluctantly accept this proposal, there is a requirement to bring forward a review of all of the Council's assets (including its highways) to consider how we best use, utilise and maintain them.

Torbay Coast and Countryside Trust

6.11 In light of the representation received from the Torbay Coast and Countryside Trust, the proposal to reduce the grant by £15,000 (proposal 3.8) should not be pursued.

Museums

6.12 The Panel was reminded of how the museums in Torbay had been involved in the Future Museums Project but that this had ceased in March 2015. The Executive Lead reported that the museums needed to act in a smarter way. At its meeting in January, the Panel heard a representation from Brixham Town Council about the proposal to reduce the grant funding of Brixham Museum (proposal 3.10). The Panel reflected on its findings in September 2014 when transitional funding had been made available to "allow a degree of breathing space".

6.13 The Panel believe that a review of all museum services in Torbay should now be undertaken.

Parks and Open Spaces

6.14 The current budget for parks and open spaces (recreation and landscape) was £1,521,000 although it was noted that the majority of this budget was covered by contractual arrangements. However, the Panel felt that there was far greater scope to reduce the budget by more than the £15,000 proposed (proposal 3.11). There was a need to seriously review how savings could be made to this budget in future years and that it was preferable to reduce this budget by £300,000 rather than the highways budget. If the Mayor wished communities to be more involved in maintaining parks and open spaces there needs to be a coherent plan implemented as a matter of urgency.

Waste and Cleansing

6.15 The Panel was disappointed not to see any savings associated with these budget lines. It was noted that the Energy from Waste plant was running better than expected and therefore it was felt that there should be some savings available.

7. Customer Services

Customer Services – Connections

7.1 Having requested the business case and options appraisal associated with the proposed changes to the Connections service on no less than two previous occasions, the Panel was able to review the detailed proposal to centralise Connections at Paignton Library and Information Centre. Whilst it was felt that the Executive had probably made its case for centralising the Connections office through its recent trial closure of Torquay and Brixham offices, the case for the central location being Paignton still needed to be made taking account of customer base, customer need, income opportunities and implementation costs.

7.2 The Panel do not feel that the Council would be providing a satisfactory service by having a completely centralised service and that there was a need to meet the bulk of demand that exists in Torquay. It recommends that the Council's Policy Framework be amended to include that the Council maintains a face-to-face customer service presence in Torquay, Paignton and Brixham for at least part of the week.

Social Fund

7.3 The Panel received a detailed report at its meeting in January setting out the background to the current Crisis Support Scheme and the proposals moving forward to make the current scheme more sustainable, removing the overlaps and common criteria for all discretionary welfare funds operated by the Council. The Panel received assurances from the Executive Head that the proposal to reduce the social fund base budget to nil but to utilise the current levels of reserve (proposal 4.7) would ensure that a service could be provided for three to five years.

7.4 The Panel recognise that there may be a need to reappraise whether further revenue funding should be made available following the depletion of the current level of reserves. It also requests a report back in six months on the rationalisation of all the discretionary welfare funds.

Library Services

7.5 In its last report in January 2015, the Priorities and Resources Review Panel recommended (amongst other things) that "a strategy for the future of the library service be developed taking account of current and expected usage and service delivery models". The Mayor in his response (February 2015) said he was "in agreement that a strategy should be developed which includes a Needs Assessment" and that he would "be asking officers to develop a strategy which will be used to inform the 2016/2017 budget".

7.6 The Panel is disappointed that the Mayor was not able to share with it his strategy and requests that the strategy be presented to the Overview and Scrutiny Board within two months.

7.7 As it is, the proposal put forward in relation to the library service (proposal 4.9) gives an inadequate amount of saving and further consideration should be given to reduce the number of libraries in Torbay. The Panel recommend that the Policy Framework should be amended to state that the Council will maintain libraries in Torquay, Paignton and Brixham.

8. Corporate Services (including Assets and Regeneration)

Riviera International Centre

8.1 The Panel considered the Business Plan 2015-2019 for the Riviera International Conference Centre and discussed its contents with representatives of the Centre. It was also reported that the Assistant Director – Corporate and Business Services would be establishing two meetings per year with the Centre as part of the Council's Management Agreement. The Panel would wish to see a representative of the Overview and Scrutiny Board attend those meetings. In parallel, the Council's representative on the Riviera International Conference Centre Board will be requested to attend a future Overview and Scrutiny Board to report back on the Centre's plans for the future.

Exit Packages

8.2 The proposal to remove the costs of exit packages (proposal 5.15) should remain however the Panel believe that the Comprehensive Spending Review Reserve should be replenished to ensure that these costs can be met moving forward.

9. Business Services

Parking Services

9.1 It was noted that the overall 3% increase in fees and charges would mean that parking income would be projected to increase by £131,000 with an additional £50,000 income being identified as a specific proposal for the service. The Panel were further informed that, based on the income figures for 2015/2016, a further £25,000 income was being identified from Parking Services. The Panel noted the external factors which could impact on the future levels of parking income but also recognised that the review of parking in Torbay would be completed shortly.

Beach Services

9.2 The Panel questioned whether there was enough demand for beach huts to sustain a beyond 3% increase in charges and whether the business plans for the new beach huts at Meadfoot and Oddicombe Beaches were delivering as expected. The Panel were reassured with the information that was provided and it supports the idea of providing beach services differently. However, the redesign of beach services needs to happen at pace to maximise income from these assets.

Tourism Marketing

9.3 Over the course of the review, the Panel were kept informed on the evolving situation in relation to tourism marketing. One-off funding for the English Riviera Tourism Company was agreed by the Council following the unsuccessful Torbay Retail and Tourism Business Improvement District ballot and moves were starting towards a ballot for a Tourism Business Improvement District in Summer 2016. The Executive Head – Business Services was preparing a report to be considered by the Council in February 2016.

Tor Bay Harbour Authority

9.4 It was reported by both the Chairman of the Harbours Committee and the Executive Lead that, whilst the Harbour Committee had been asked to contribute £197,000 from the Harbour Accounts to the Council's revenue budget, the Committee was only likely to agree that £147,000 contribution be made. The difference between these two figures needs to be resolved before the Council is in a position to agree a balanced budget.

10. Recommendations

To be considered by the Mayor:

10.1 That the Council become more commercially driven and that it should market itself and its facilities more effectively.

10.2 That the Board is confident that the proposed budget for Children's Services for 2016/2017 is adequate and appreciates that the Director of Children's Services and the Assistant Director – Children's Safeguarding concur that it is adequate. However, the Board still need to see the detail of how it will be achieved and that there is pace of change to ensure that a balanced budget is delivered. The Board will require an update on the financial position when it considers the progress report on the Improvement Plan and will continue to hold the Executive Lead for Children's Services and the Director of Children's Services to account in this regard.

10.3 That robust monitoring of the Integrated Care Organisation be established (by 1 April 2016 at the latest) to ensure councillors can satisfy themselves that performance and budget targets are being met.

10.4 That, with in the next six months, the Torbay Community Development Trust be invited to a future Councillor Conversation to share its outcomes to date and how it aims to become self-sustaining.

10.5 That the Council's enforcement regime, as a whole, be reviewed (over the coming year) to ensure that scarce resources are used to best effect and that possible reputational damage is minimised.

10.6 That four street wardens be retained with funding being returned to the base budget.

10.7 That the proposal in relation to highways be not implemented and that consideration be given to alternative options for ensuring the long term maintenance of the highway.

10.8 That, over the course of the coming year, a review of all of the Council's assets (including highways) be brought forward to consider how we best use, utilise and maintain them.

10.9 That the proposal in relation to the Torbay Coast and Countryside Trust be not implemented.

10.10 That a review of all of the museums in Torbay be undertaken within the next six months.

10.11 That a review of how to make a significant reduction in the budget for recreation and landscape be undertaken and that a coherent plan for involving the community in providing the service be implemented as a matter of urgency.

10.12 That further consideration be given to reduce the number of libraries in Torbay in the next six months.

10.13 That a representative of the Overview and Scrutiny Board attend the newly established monitoring meetings with the Riviera International Conference Centre.

10.14 That the Comprehensive Spending Review Reserve be replenished to ensure that the costs of exit packages can be met moving forward.

10.15 That the redesign of Beach Services should happen at pace to maximise the income to the Council from these assets.

To be considered by the Council:

10.16 That the Policy Framework be amended to include that the Council maintains a face-to-face customer service presence in Torquay, Paignton and Brixham for at least part of the week.

10.17 That the Policy Framework be amended to include that the Council will maintain libraries in Torquay, Paignton and Brixham.

Meeting: **Council** **Date:** **3rd February 2016**

Wards Affected: **All**

Report Title: **2015/16 Capital Plan Quarter 3 Update including Capital Strategy 2016/17, Capital Plan 2016/17 – 2019/20 and Corporate Asset Management Plan 2015-2019.**

Is the decision a key decision? Yes

Executive Lead Contact Details: Gordon Oliver, Mayor, mayor@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Chief Accountant, 01803 207285, martin.phillips@torbay.gov.uk

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1. Proposal and Introduction

1.1 The Capital Plan budget totals £99.9 million for the 4 year programme, with £28.6 million currently scheduled to be spent in 2015/16, including £11.7m on the South Devon Highway. The Capital Plan currently requires £2.2 million from capital receipts and capital contributions over the life of the Plan.

1.2 The Council's Capital Plan is updated on a quarterly basis which includes any new funding announcements and allocations. It provides high-level information on capital expenditure and funding for the year compared with the last Plan update as reported to Council in December 2015, relating to Quarter 2 position.

2. Reason for Proposal

2.1 Quarterly reporting to both the Overview and Scrutiny Board (OSB) and to Council is part of the Council's financial management.

2.2 For Council to approve the 2015/16 quarter three position as its Capital Plan 2016/17 – 2019/20 and Capital Strategy 2016/17 as part of the 2016/17 budget process.

2.3 There are a number of new capital projects recommended for approval which both aim to generate future income for the council or aim to provide funding over the next four years for some essential capital projects.

3. Recommendation(s) / Proposed Decision

3.1 That the latest position for the Council's Capital expenditure and funding for 2015/16 be noted.

3.2 That 2016/17 Capital Strategy (set out at Appendix 1) be approved.

3.3 That prudential borrowing of £10 million for an Investment Fund to enable acquisition of properties for investment purposes to be funded from future rental income be approved and that purchases within the Fund to be subject to specific criteria:

- Rate of Return expected to exceed 6% per annum net of costs
- Property assessed as an asset life in excess of 50 years (or repayment period)
- Tenants assessed as reasonable credit quality and pre lets agreed if possible
- Independent valuation of asset to support purchase price
- Any UK property to be considered subject to no more than 50% in any county area.

- Any sale proceeds of assets purchased to be reinvested in fund.

and that the allocation of the Fund, <u>if the criteria is met</u>, be agreed by Executive Director of Operations and Finance in consultation with the Chief Finance Officer and the Mayor and Group Leaders with the Overview and Scrutiny Co-ordinator being notified in advance of any decisions.

3.4 That prudential borrowing of £3 million for essential capital repair works be approved with the cost of borrowing to be included in future year revenue budgets and that the allocation of the budget be agreed by the Executive Head – Business Services in consultation with the Chief Finance Officer and the Mayor and Group Leaders with the Overview and Scrutiny Co-ordinator being notified in advance of any decisions.

3.5 That prudential borrowing of £0.350 million to upgrade and update the Council's CCTV equipment be approved with the cost of borrowing to be included in future year revenue budgets offset by any future external contributions and any resulting revenue savings.

3.6 That prudential borrowing of £1.0 million for an IT Investment Fund for 2016/17 to 2019/20 be approved with the cost of borrowing to be included in future year revenue budgets and that the allocation of the Fund be agreed by Executive Director of Operations and Finance consultation with the Chief Finance Officer, the Executive Head – Customer Services and the Executive Lead for Customer Services.

3.7 That the reallocation of £0.5m within the existing schools capital allocation to provide two mobile accommodation buildings at Paignton Community Sports Academy be approved to meet an immediate need for pupil places.

3.8 That the allocation of £0.350m to improvements at The Strand in Torquay in line with the proposed Corporate Plan Delivery Plans be approved and that the Council determine whether this is funded from:

Option 1: prudential borrowing when the scheme is deemed to be self financing; or

Option 2: the Comprehensive Spending Review Reserve.

3.9 That the Council will not take up the option in 2016/17 of using capital receipts to fund one off revenue costs of transformation to meet future budget reductions.

3.10 That, subject to approval of 3.3 to 3.9 above, the budget forecast for 2016/17 to 2019/20 at Appendix 2 be approved as the Capital Plan.

3.14 That the Corporate Asset Management Plan for 2015 – 2019 (as set out in Appendix 4) be approved.

4 Supporting Information and Impact Assessment

4.1 Mayor's Response to the Overview and Scrutiny Board

The Overview and Scrutiny Board has made recommendations to me in relation to the Capital Plan. I have considered the recommendations and my response is as follows:

- In relation to the allocation of spend within the approved budgets for the investment fund and essential repairs and maintenance, I accept the inclusion of group leaders as consultees. However, given the role of the Overview and Scrutiny Co-ordinator (as detailed in his Job Description), I believe it is more appropriate for him to be notified of decisions rather than consulted.

- In relation to the investment fund, I do not consider that referring potential investments of over £1million to Council to be required given the increased level of consultation that I am proposing and the criteria that I am proposing that Council set.

- In relation to the underspend on the previous years' Disabled Facilities Grants, at this point in time, I am withdrawing the proposal pending the Overview and Scrutiny Board's recommendation on this issue.

- In relation to The Strand, I have offered to the Council two options for its funding with the prudential borrowing option being dependent on the scheme becoming self financing.

- I am happy that the Capital Plan Supporting Information be included within the Budget and Policy Framework and accept the principle that the Capital Reserve List should be prioritised subject to development of criteria. This principle has now been included in the Capital Strategy. I will ask the Executive Head of Business Services to progress this, ideally before the next Capital Plan Monitoring Report.

4.1 Members of the Overview and Scrutiny Board and Council receive regular budget monitoring reports on the Council's Capital Plan throughout the year. The Council's four year Capital Plan is updated each quarter through the year. This report is the monitoring report for the third quarter 2015/16 and includes variations arising in this quarter to the end December 2015. For the purposes of Standing Order F3 in relation to Budget and Policy Framework, this report also sets out the Mayor's proposals for revisions to the Capital Plan and the Capital Strategy as part of the 2016/17 budget setting process.

4.2 Supporting Information on the capital issues facing the Council were included along with the Capital Strategy as part of the Quarter Two Capital Plan Update report presented to Overview and Scrutiny Board and Council in November 2015. This supporting information is included again at Appendix 3.

4.3 The overall funding position of the 4-year Capital Plan Budget of £99.9 million, covering the period 2015/16 – 2018/19, is primarily fully funded but still relies upon the generation of £2.2 million of Capital income from capital receipts and capital contributions over the life of the Capital Plan.

4.4 Of this £2.5m, £2.0 million was required from capital receipts before the end of the current Plan period. Of this sum £0.3 million has been received by the end of December 2015, leaving a balance of £1.7 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.

4.5 The other element of this £2.2m funding requirement, involves £0.5m required from capital contributions including community infrastructure levy which is expected to be approved during 2016.

4.6 The movements in the estimate of expenditure in 2015/16 on the Capital Plan between the last monitoring report at September 2015 of £30.2m and the latest budget for 2015/16 of £28.6 m are shown below.

Scheme	Variation in 2015/16	Change £m	Reason
Estimate as at Q2 2015/16		**30.2**	Capital Plan Update, 2015/16 Quarter 1
Joint Commissioning Team			
Childrens' Services			
2 Year Old Provision	Part Budget rephased to 2016/17	(0.1)	Priorities to be determined
Brookfield Project	Rephasing to 2016/17	(0.3)	Delays resulting from later land acquisition
Capital Repairs and Maintenance 15/16	Part budget to 2016/17	(0.1)	Some works to commence in Easter holidays
Devolved Formula Capital	Part budget to 2016/17	(0.1)	Some schools do not require funds in 2015/16
Education Review	Budget re profiled to 2016/17	(0.1)	Timing of likely expenditure reviewed
		(0.7)	

Joint Operations Team			
Community and Customer Services			
Torre Abbey Ph 2	Budget moved to 2016/17 and saving	(0.1)	Scheme saving and small budget to 2016/17
Transport - Edginswell Station	Additional budget	0.1	Funding to complete initial design work
Western Corridor	Budget re profiled to 2016/17	(0.8)	Latest forecast is that some of this scheme will be now be incurred in 2016/17.
		(0.8)	
Corporate and Business Services			
Torquay Inner Harbour Pontoons	New scheme	0.1	Provide additional berths
Fleet Purchases	Budget re profiled to 2016/17	(0.2)	No plans to purchase fleet in quarter four.
		(0.1)	
Estimate – Quarter Three 2015/16		**28.6**	

5.0 2016/17 Capital Strategy and Corporate Asset Management Plan

5.1 The proposed capital strategy is attached at Appendix 1. There are two significant changes in strategy, both of which are linked in part to feedback from the recent Corporate Peer Review.

5.2 Firstly there is an increased priority on capital projects that will generate future income to the Council to support its ongoing viability despite funding reductions.

5.3 In addition the strategy is more "open minded" to funding essential capital projects where there is no income stream by spreading the cost over a number of years by means of prudential borrowing.

5.4 The Capital Plan supporting information lists a number of projects that have been identified by officers as potential future capital projects. Within the overarching aim of supporting capital projects that will generate future income for the Council, this list will be reviewed and prioritised by the Executive Head of Business Services and reported back to a future meeting of the Council.

5.5 The Corporate Asset Management Plan is attached at Appendix 4. This is a key document that outlines the Council's approach to all aspects of its asset management (excluding transport assets) including leases, disposals and maintenance.

6.0 Efficiency Strategy

6.1 As part of the local government finance settlement announced December 2015, councils now have an option of using capital receipts to fund the revenue costs of transformation schemes. Any proposed usage to be included as part of a Council approved "Efficiency Strategy" prior to the start of a financial year.

6.2 Precise details of this requirement have, at the time of writing this report, not been issued by DCLG. However due to the Council's current outstanding capital receipts target of £1.7m to fund previous expenditure this option is not proposed to be used in 2016/17.

7.0 Expenditure

7.1 The Capital Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached at Appendix 2. The Plan now totals £100 million over the 4 year period of which £29 million relates to 2015/16 and £41 million relates to 2016/17.

7.2 The purpose of this report and the monitoring statement attached is to highlight any existing or potential issues which may affect the delivery of the major projects included in the Plan and to consider any potential effect on corporate resources.

7.3 Expenditure to the end of this third quarter was £12.7 million with a further £5 million of commitments on the Council's finance system. The expenditure of £12.7 million is only 43% of the latest budget for 2015/16. This compares with £10 million (or 49% of outturn) for the third quarter last year. It is recognised that for a number of schemes, notably the South Devon Highway (2015/16 budget £11.7m), the Council will not incur expenditure until later in the year.

	2010/11 £m (%)	**2011/12 £m (%)**	**2012/13 £m (%)**	**2013/14 £m (%)**	**2014/15 £m (%)**	**2015/16 £m (%)**
Quarter One	10 (23%)	3 (14%)	2 (11%)	4 (23%)	2 (10%)	1 (3%)
Quarter Two	13 (30%)	7 (32%)	4 (21%)	4 (23%)	4 (20%)	4 (13%)
Quarter Three	9 (21%)	5 (22%)	5 (26%)	3 (18%)	4 (20%)	8 (27%)
Quarter Four	11 (26%)	7 (32%)	8 (42%)	6 (35%)	10 (50%)	
Total In Year	**43**	**22**	**19**	**17**	**20**	**29**

7.4 Updates to Capital Plan

7.5 Joint Commissioning Team

7.6 Affordable Housing – Additional resources of £0.1 million have been added to the 2016/17 budget arising from S106 (Planning gain) contributions received.

7.7 Autism Innovation Grant (£0.018m) – due to the low value of this grant, this capital grant has been allocated to provide resources to enable the service to undertake revenue expenditure.

7.8 Empty Homes - As part of the revenue budget proposals for 2016/17 £0.1m of Right to Buy clawback receipts will be used to fund the 2016/17 (and final) £0.1m contribution to the £0.5m empty homes budget to realise an ongoing revenue budget saving. To the end of December 2015 only £0.040m has been spent.

7.9 Adult Social Care Grant - As part of the revenue budget proposals for 2016/17 £0.3m of the 2016/17 grant allocation will be used to support the revenue budget by exchanging funding with the Council's revenue contribution to the costs of the South Devon Highway to realise an ongoing revenue budget saving.

7.10 There are a number of projects in Childrens' services where some expenditure has been re profiled to move funding between years to reflect latest expenditure projections:

Two Year Old Provision – £0.1m moved to 2016/17 awaiting prioritisation of options.

Brookfield House site - £0.3m rephasing required as a result of delay in land acquisition.

Capital Repairs 2015/16 - £0.1m moved as some tendered works will not commence until Easter 2016.

Devolved Formula Capital - £0.1m rephasing required since not all schools are likely to draw down their funding before year end.

Youth Modular Projects – minor adjustment as priorities are to be agreed.

7.11 Paignton Community Sports Academy - an accommodation issue has arisen unexpectedly at this school. The Council needs to provide some temporary accommodation for this September i.e. two mobiles at an expected cost of £0.5 m. It is planned to reallocate existing funds from the Children's Services capital programme. At this stage, it is likely that the mobiles will be funded from the provisional allocation for primary school places in Paignton. Members are asked to approve this alteration.

Joint Operations Team

7.12 Community and Customer Services

7.13 Strand Regeneration – This scheme was approved by Council in September 2015, subject to funding being identified. It is requested that Council approve the allocation of £0.350m to improvements at the Strand in Torquay in line with the proposed Corporate Plan Delivery Plans. Council to determine whether this is funded from prudential borrowing when the scheme is deemed to be self financing or from the Comprehensive Spending Review Reserve.

7.14 Street Lighting Energy Reduction Phase 2 - a second phase of works to reduce energy consumption and carbon emissions from Highways street lighting has been approved by Council (on 10 December 2015) and added to the Capital Plan in 2016/17. The £1.1m scheme will replace existing lanterns with LED lanterns and will be funded by prudential borrowing and/or Salix funding.

7.15 Torre Abbey Phase 2 – there remains an unresolved issue with one of the contractors which could roll into next year. Otherwise there are no outstanding items and there should be a small saving of £0.06m on the scheme.

7.16 Transport Structural Maintenance – the Government has announced that part of the future years' funding provided to authorities is to be 'top-sliced' for an Incentive Fund. In effect this portion of funding cannot be guaranteed and will only be available if the Council can demonstrate it is delivering value for money in carrying out cost effective improvements. This element of funding has now been shown on a separate line in the Capital Plan and is not yet secure, pending the Government's assessment of the Authority's banding.

7.17 Transport – Invest to Save. To mitigate the impact of reducing revenue funding for highways over the next few years, the Council will seek examples from other Councils to consider a business case for a capital invest to save proposal for investment in the highway network to reduce future revenue costs.

7.18 Transport – Edginswell Station. Additional resources of £0.1m have been provided to complete initial design costs for this scheme, partly funded by S106 contributions and partly from Integrated Transport Block. Further funding still needs to be secured before the construction phase of the project can be considered. Since funding is not yet in place, it is unlikely that any construction will begin until at least 2017/18 so the budget has been transferred accordingly.

7.19 Transport – Western Corridor. - Following a review of likely expenditure levels £0.8m of the budget has been moved to 2016/17. The Tweenaway Cross to Waterleat Road Scheme was reappraised following more detailed estimates and preliminary design works. This delayed the scheme to be commenced towards the end of this financial year rather than being completed by that time. An interim widening scheme planned for the southbound approach to the Yalberton Road junction was also planned this financial year, however restrictions to comply with Wales and West Utilities requirements meant that the works could only be carried out after major service diversion works were completed and will therefore be carried out as part of the main junction widening in the next financial year.

7.20 Disabled Facilities Grants (DFG) – A Council decision (following a recommendation from the Overview and Scrutiny Board) is still required regarding the possible reallocation of £0.398 million of prior years' unallocated DFG resources. In relation to the 2015/16 DFG allocation of £1.0m, expenditure on DFGs at the end of December was £0.5 million, with a remaining budget for the year of £0.5m. There is currently no waiting list for grants. It is expected that the service will request that some of the 2015/16 budget to be moved to future years.

7.21 CCTV – It is recommended that prudential borrowing of £0.350 million to upgrade and update the Council's CCTV is approved to prevent system failure and realise future year revenue savings on support and maintenance contracts. Cost of borrowing of approx £45,000 per annum for 10 years to be included in future year revenue budgets offset by any future external contributions and reduced ongoing revenue costs.

7.22 IT Replacement – It is recommended that prudential borrowing of £1.0 million for a future IT Investment Fund for 2016/17 to 2019/20 be approved. Cost of borrowing of approx £125,000 per annum for 10 years to be included in future year revenue budgets. Allocation of the Fund to be by Executive Director of Operations and Finance in consultation with the Chief Finance Officer, the Executive Head – Customer Services and the Executive Lead for Customer Services. The aim is that this budget will fund the next four years of IT investment. It is likely that the majority of this spend will be used to replace IT licences and equipment as well as investment in new technology to realise revenue savings.

7.23 Corporate & Business Services

7.24 Essential Repair Works – It is recommended that prudential borrowing of £3 million for essential capital repair works fund be approved. Cost of borrowing of approx £210,000 per annum for 25 years to be included in future year revenue budgets. Allocation of the budget to be by Executive Head for Business Services in consultation with the Chief Finance Officer and the Mayor and Group Leaders (with the Overview and Scrutiny Co-ordinator being notified of any decisions) in line with a prioritised list of works. The aim is that this budget will fund the next four years of essential capital works. It is likely that the majority of this spend will be on sea facing structures.

7.25 Claylands Redevelopment –in December 2015 Council approved a project for the proposed redevelopment of Council owned land known as 'Claylands' located on the Brixham Road in Paignton using a combination of Council and Heart of the South West Local Enterprise Partnership funding. The LEP have indicated support of £2.5m for site remediation of 10 acres (gross) of brown field land and essential site access and other site infrastructure that is needed to create circa 6 acres (net) of developable employment land. The Council's investment of £7.5m will come from Prudential Borrowing which will be conditional upon 'pre-lets' and further delegated approvals. This will fund the construction of office, factory and/or warehouse premises on Claylands for occupation by third party private sector employers. The scheme has been added to the 2016/17 Capital Plan but is subject to final approval of LEP funding and satisfactory pre letting agreements.

7.26 Council Fleet Vehicles – the Council is unlikely to acquire further vehicles in the current financial year so £0.140m budget is transferred to next year (2016/17).

7.27 Torquay Inner Harbour Pontoons – following the successful introduction of mooring pontoons in the Inner Harbour some additional berths will be provided at a cost of £0.050m. It is expected that these could produce income of around £36k per annum. This scheme has been added to the 2015/16 Programme. Other major repair works at Brixham Harbour (£0.090m) and the acquisition of a new Harbour workboat (£0.050m) have also been added to the Capital Plan in 2016/17. All these works will be funded from Harbour Reserves.

7.28 Investment Fund - That prudential borrowing of £10 million for an Investment Fund to enable acquisition of properties for investment purposes to be funded from future rental income be approved. Purchases within the Fund to be subject to specific criteria:

- Rate of Return expected to exceed 6% per annum net of costs
- Property assessed as an asset life in excess of 50 years or repayment period
- Tenants assessed as reasonable credit quality and pre lets agreed if possible
- Independent valuation of asset to support purchase price
- Any UK property to be considered subject to no more than 50% in any county area.
- Any sale proceeds of assets purchased to be reinvested in fund.

The allocation of the Fund, if criteria met, to be by Executive Director of Operations and Finance in consultation with the Chief Finance Officer and the Mayor and Group Leaders with the Overview and Scrutiny Co-ordinator being notified of any decisions.

This fund is primarily to focus on projects that will generate future income to the Council to support its ongoing viability despite funding reductions. Regeneration schemes may be included in this category if the criteria are met; however the priority is for the purchase of assets for an investment return. Note rate of return to be defined as a % of purchase costs.

8 Receipts & Funding

8.1 The funding identified for the latest Capital Plan budget is shown in Appendix 2. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years. A summary of the funding of the Capital Plan is shown in the Table below:

	2015/16	**2016/17**	**2017/18**	**2018/19**	**Total @ Q3 15/16**
	A	**B**	**C**	**D**	**E**
Funding	**£m**	**£m**	**£m**	**£m**	**£m**
Unsupported Borrowing	13	19	9	3	44
Grants	13	19	14	4	50
Contributions	1	0	0	0	1
Reserves	0	1	0	0	1
Revenue	1	0	0	0	1
Capital Receipts	1	2	0	0	3
Total	**29**	**41**	**23**	**7**	**100**

8.2 Grants

8.3 Capital Grants continue to be the major funding stream (over 60% in last 3 years) for the Council to progress its investment plans. An element of these grants result from “bid” processes from other public sector bodies. The Council used £13 million of grants in 2014/15 and is currently estimating to use £13m of grants in 2015/16.

8.4 Since the last Capital update (Quarter 2 2015/16) reported to Council in December 2015, the Council has not been notified of any additional capital grant allocations.

8.5 Capital Receipts

8.6 The approved Plan relies upon the generation of a total of £2.0 million capital receipts from asset sales by the end of 2016/17 of which £0.3m has been received by the end of December 2015 (no change from last report), leaving a target of £1.7m still to be achieved.

This target is expected to be achieved provided that -

- approved disposals currently “in the pipeline” are completed
- the Council continues with its disposal policy for surplus and underused assets and,
- no more new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

8.7 The Government has recently announced plans to allow authorities flexibility to use capital receipts received in 2016/17 to 2018/19 to fund the revenue costs of projects designed to reduce future revenue costs and/or transform service delivery. These costs can be treated as capital expenditure (under a specific Government Direction) and can be financed from capital receipts generated in those years. Capital receipts unapplied at 31 March 2016 are not eligible for flexible treatment.

8.8 Torbay Council already has an outstanding requirement to generate capital receipts of £1.7million as noted above, to fund the existing Capital Plan so is unlikely to generate further capital receipts to fund these costs. However where authorities wish to utilise this flexibility, an ‘Efficiency Strategy’ needs to be approved by full Council, including separate disclosure of the individual projects to be funded.

8.9 Capital Contributions – S106 & Community Infrastructure Levy

8.10 The general target for securing capital contributions to fund the 4-year Capital Plan, following review of the Budget in February 2013 was £0.5 million (required by March 2016). In addition the South Devon Highway business case estimated external contributions including s106 payments of £2.1m to help fund the scheme (£0.108m, received since 2014).

8.11 The intention is that capital contributions are applied to support schemes already approved as part of Capital Plan and not allocated to new schemes unless the agreement with the developer is specific to a particular scheme outside the Capital Plan.

8.12 Income from Section106 capital contributions so far in 2015/16 only amount to £0.02 million.

8.13 A recent Government announcement changed a number of rules relating to Section 106 agreements which now restricts these funds and will mean alternative funding sources may be required to fund some capital schemes, including the South Devon Highway, where £2.1 million of S106 (or CIL) funding was estimated.

8.14 In particular, since the South Devon Highway was completed before a CIL scheme was formally adopted, it is unlikely that the necessary funds can be generated for this scheme. This will mean that an alternative funding source will be required, presumably additional Prudential Borrowing. The increased revenue cost of this has been factored into the 2016/17 budget proposals.

8.15 It is expected that, linked to the adoption of the Local Plan late in 2015, a Community Infrastructure Levy scheme is due to be approved in 2016.

9.0 Borrowing and Prudential Indicators

9.1 There was no borrowing taken or repaid during the quarter.

9.2 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. Expenditure in the Capital Plan on the Council's own assets will increase the value attached to the Council's fixed assets. As at 31 March 2015 the Council's "Non Current Assets" were valued at £307 million.

9.3 Council is being asked to approve Prudential Borrowing for various new schemes as outlined in the table below:

Proposed Scheme	Budget (to be funded by Prudential Borrowing) £m	Reason
Investment Fund	10.00	To fund appropriate property acquisitions to secure future rental stream/capital growth
Essential Capital Repair Works	3.00	Provide funds for essential repairs to assets as required (e.g. including Cliff falls)
CCTV Equipment	0.35	Provide funds to update and upgrade CCTV equipment
Corporate IT Developments	1.00	To enable upgrades and replacements to ICT equipment

9.4 The above borrowing, if approved, combined with the approvals for prudential borrowing in relation to Claylands (£7.5m) and Street Lighting (£1.1m) is likely to result the need for the Council to externally borrow funds in the next four years. This potential impact is reflected in the Treasury Management Strategy 2016/17.

Appendices:

Appendix 1 - Capital Strategy, October 2015 (updated Jan 16)
Appendix 2 - Capital Plan summary – Quarter Three 2015/16
Appendix 3 – Capital Plan Supporting Information (updated Jan 16)
Appendix 4 – Corporate Asset Management Plan
Appendix 5 – Report of the Overview and Scrutiny Board – January 2016

TORBAY COUNCIL

CORPORATE CAPITAL STRATEGY

2016/17 REVISION

Produced By:

Torbay Council,
Town Hall,
TORQUAY

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1. Introduction

The Corporate Capital Strategy forms part of the Council's Budget as it sets out the principles to be used in the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan.

Capital investment is technically described as: Expenditure on the acquisition, creation, or enhancement of 'non current assets' i.e. items of land, property and plant which have a useful life of more than 1 year. A fuller definition is attached at Appendix 1. Expenditure outside this definition will be, by definition, revenue expenditure.

Most non current assets are properties that are used in service delivery. The Council's land, buildings and infrastructure asset base of some 2,300 properties has a current use Balance Sheet value of approx. £300 million. In addition the Council has an interest in assets held by Diocese and Foundation schools and assets of companies the Council has a financial interest in such as Torbay Development Agency.

Although the Strategy focuses on the Council's management of its own investment in assets, a wider view of capital investment throughout the Bay by both the public and private sectors will have a major influence on meeting Council aims and objectives.

The Capital Strategy is presented to Council as part of the Budget and links with the Treasury Management Strategy and in particular the Corporate Asset Management Plan. Both documents are available from Council offices and on the Council's Website:

http://www.torbay.gov.uk/index/yourcouncil/financialservices

The Capital Strategy sets out the guiding principles on the following elements:

- Approach to Borrowing
- Grant Allocation
- Capital Receipts
- Revenue and Reserves
- Prioritisation and Approval
- Alternative Funding and Delivery Options
- Investment Opportunities

In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible approach to be taken but reflective of times of uncertainty. This summary document focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities.

The management of the Capital Plan is also supported by the Council's approved Financial Regulations.

2. Guiding Principles

In light of the significant ongoing financial challenges facing the Council the Council will prioritise capital projects that result in increased income to the Council.

No capital funding to be allocated to projects unless funding confirmed or realised in particular capital receipts and contributions.

2.1 Approach to Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board to fund capital schemes or, on a short term basis, use its own internal resources (i.e. cash flow), however for all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government "supported borrowing" allocations and related revenue support.

The Council is only able to borrow for “unsupported borrowing” (also known as Prudential Borrowing) under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council.

The Council’s approved 2015/16 Treasury Management Strategy was to continue to reduce the level of Council borrowings over four years which implied that no new major prudential borrowing schemes will be approved. However the proposed capital plan for 2016/17 combined with prudential borrowing already approved in 2015/16 will reverse that strategy for 2016/17 resulting in a need to borrow over the next four years.

The Council has historically taken a cautious approach to new borrowing, paying particular regard to the robustness of the business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e. create a revenue stream so that the cost of borrowing is cost neutral on Council Tax). In the light of the recent Corporate Peer Review the Council is encouraged to be less risk averse. However it is still essential that any new proposals for a self funding or invest to save scheme supported by borrowing has a robust business case that is presented to senior members and officers prior to approval by Council.

To support its revenue budget the Council will continue to evaluate any capital investment projects either acting alone or with partners that will produce an ongoing revenue income stream for the Council.

There may be the need for borrowing that has no identifiable future revenue stream, for example, to repair or construct infrastructure assets. Here a broader view can be taken of the value of repairing the asset to the overall economy of the Bay. The cost of such borrowing falls on the tax payer through payments of debt interest on the Council’s revenue account and repayment of debt over a specified period of time. There may still be a need for such borrowing but each proposal should be reviewed on a case by case basis with the project evaluation clearly stating how the borrowing is to be afforded. In light of the restrictions on both revenue and capital funds over the next few years the Council will take a more pragmatic approach to funding this type of scheme by using prudential borrowing and spread the costs over a number of years.

2.2 Grants

The Council receives capital grant funding from government and is able to bid for grant funding direct to particular government departments or from other grant awarding bodies. The funding from central government tends to be un ring fenced and without conditions, however this funding is at levels significantly lower than in the last decade.

The Council now has greater flexibility in allocating capital grant funding which allows the Council to direct funding to local priorities which may not be in line with government allocations which are, to some extent, based on local need. Service intentions of the identified government body awarding the grant may be taken into account in determining allocations.

Any un-ring fenced capital grants received, even if these are allocated with service intentions of the identified government body awarding the grant, will be required to be approved by Council. Consequently once capital grants have been allocated to specific service by Council, individual schemes within that allocation are subject to each individual scheme being approved by the relevant Director or Executive Head in consultation with the relevant Executive Lead.

The Council continues to bid for additional external grant funding but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved. All bids are to be agreed with the Mayor and Executive Director prior to submission.

2.3 Capital Receipts and Capital Contributions

The Council receives capital receipts and capital contributions from:

- Asset Disposals
- Right to Buy Clawback
- S106 and Community Infrastructure Levy - CIL (after Council approves policy)
- Repayment of loans for a capital purpose

Asset Disposals

The current policy is to pool all receipts from the sale of all assets sold to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital receipts target to support the approved Plan that has not yet been met. All capital receipts received should be allocated to support this target and not allocated to new schemes. An asset disposal will be deemed to occur when the Council transfers the freehold or a long lease (usually over 40 years).

The Council will consider exceptions to this policy where rationalisation of assets used for service delivery is undertaken and in respect of school sites where the Secretary of State has approved the disposal – such exceptions will require Council decision.

Under the Council's constitution the approval for the disposal of an asset is an Executive (Mayoral) function. The Mayor however will take regular reports on assets identified for disposal to full Council.

The Council will aim to maximise its capital receipts, where possible, by enhancing the land prior to disposal; e.g. by obtaining planning permission or providing a development plan. As appropriate the Council may dispose of assets by tender or by public auction.

The Council has previously approved, in line with legislation, that revenue costs of disposals, up to 4% of the disposal value can be accounted for as capital expenditure.

Asset Disposals at nil consideration or below market value.

In considering asset disposals, the Council also needs to take into account the policy on Community Asset Transfers where if applicable in line with the Asset Management Plan, the Council will consider, the potential transfer of assets to an alternative provider after a full assessment of the long term (full life) risks and rewards of the transfer, including the achievement of best value including potential market value, linked to the Council's aims and objectives.

The Localism Act 2011 introduced the "Community Right to Bid" and placed a duty upon local authorities in England to maintain a list of assets of community value. Once an asset is "Listed" any disposal will be under the Community Asset Transfer policy or for market value by tender/auction.

Where the Council proposes to dispose of, or grant a long lease, at nil consideration or at a value below market value this should be approved by Council. This will also apply where the disposal is for a community or service benefit.

There may be circumstances, such as the transfer of community school assets under the Academies Act, where assets will also be disposed of at nil consideration, which will not require Council consent.

Right-to-Buy Clawback

100% of these receipts will support the provision of the housing functions.

S106 contributions and Community Infrastructure Levy (CIL)

S106 monies come from developer contributions through the planning system. Unless there are service specific conditions on the use of the S106, the monies should be used to support existing Council priorities and commitments rather than be allocated to new schemes. Any S106 monies received without a service or scheme specific allocation within the planning agreement will be allocated in line with Council's capital scheme priorities.

Any monies received for infrastructure from the Community Infrastructure Levy (when introduced) will not be allocated to a specific service but will be allocated under the CIL arrangements ("the 1,2,3 List") in line with Council's capital scheme priorities including any specific funding requirements such as the South Devon Highway or a specific scheme to increased school places.

The current policy is to pool all capital contributions to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital contributions target to support the approved Plan that has not yet been met. All capital contributions received should, where possible, be allocated to support this target and not allocated to new schemes.

Repayment of loans for a capital purpose

Where the Council provides a loan for a capital purpose this will be approved and accounted for as capital expenditure. The repayment of loan by the borrower will be treated as a capital receipt; however any receipts of this nature will be specifically applied to reduce the value of the outstanding loan.

2.4 Revenue & Reserves

The Council is able to use revenue funding and reserves for capital schemes. However, as a result of competing revenue budget pressures and the continued reduction in government support for revenue expenditure, the Council's policy is generally not to budget to use revenue or reserve funds to directly fund capital projects after the feasibility stage.

The Council will take a pragmatic view where reserves and revenue are being proposed to fund a capital project and consider whether prudential borrowing should be used instead to spread the cost over a number of years and in the short term use the revenue and reserve funding for other priorities.

2.5 Prioritisation and Approval

It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. In light of the significant ongoing financial challenges facing the Council the Council will prioritise capital projects that result in increased income to the Council. A Capital Reserve list is maintained. To support future prioritisation a "matrix" scoring criteria will be devised and applied to capital prioritisation to include factors such as legislation, health and safety, mayoral priority, income potential, risk, community support etc.

It will also be important to ensure sufficient flexibility to take advantage of any funding opportunities that may occur mid year or fill any gaps where slippage occurs.

The key stages in the Council's prioritisation and approval process are as follows:

1) If a specific scheme is to be approved/funded there will be a requirement for a detailed business plan or project outline. Business plans are to be submitted to the Executive Director in consultation with the Mayor/Executive Lead for Finance and Chief Finance Officer:

If a scheme is to be funded from (previously approved) allocations the scheme will be approved by the Executive Director in consultation with the Mayor/Executive Lead for Finance and Chief Finance Officer and progressed when funding confirmed or, If new (confirmed) funding is to be used for a scheme to be funded by, say, a specific grant and if the scheme is supported by Executive Director in consultation with the Mayor/Executive Lead for Finance and Chief Finance Officer it will be reported to Council.

If funding has been allocated by Council to a service without individual schemes being identified at the time of approval, (such as a general allocation to schools for "basic need" projects), individual schemes within that allocation are subject to each individual scheme being approved by the Executive Head in consultation with the relevant Executive Lead.

2) Proposals for invest to save or self financing schemes, (usually financed from prudential borrowing), will also require a detailed business case to be submitted to the Executive Director in consultation with the Mayor/Executive Lead for Finance and Chief Finance Officer. If the scheme is supported it will be recommended to Council for approval.

3) The Capital Plan will be updated and any recommendations for schemes to be approved by Council included in the next quarterly Capital Plan Update Report.

4) Other schemes that do not require financial support but include the use of Council assets as a Council contribution to a scheme will also be subject to the Council's approval process.

5) Where there is a proposal to transfer capital resources from a previously approved scheme to a new scheme and there is a change of "policy", the new scheme will be approved by Council.

2.6 Alternative Funding and Delivery Opportunities

As Council capital funding is reduced the Council will continue to consider alternative methods of supporting capital expenditure within the Bay, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Council.

The Council can use its assets to support schemes or aim to maximise funding from any source possible, such as European or Local Enterprise Partnership funding.

The Council continues to bid for additional external funding and/or work with other bodies to secure capital investment or consider use of its own assets in a development, but restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved along with an assessment of the opportunity costs of alternative options. All schemes are to be agreed with the Mayor and Executive Director prior to submission and/or contractual commitment.

2.7 Investment Opportunities

Linked to its approach to borrowing and its Treasury Management Strategy the Council will consider, if the opportunities arise, the purchase of land and property as an investment – to both generate an ongoing income stream or to realise an increased capital value in the future. This could include the purchase of land or property or the purchase of "shares" in a property fund. Depending on the capital funding proposed the appropriate approvals will be requested including approval within the Treasury Management Strategy.

Appendix 1 - Definition of Capital Expenditure

Capital investment is simply described as:

Expenditure on the acquisition, creation or enhancement of "non current assets" (non current assets are items of land & property which have a useful life of more than 1 year)

This definition of capital expenditure that the Council has to comply with for the classification and, therefore, the funding of capital expenditure in linked to International Financial Reporting Standards. "Qualifying Capital Expenditure" under s25 of Local Government Act 2003 is defined when:

"The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with "proper practices""

"Proper Practice" (from 01/04/10) is under International Financial Reporting Standards (IFRS) rules. The relevant standard is IAS16 which has the following definition of capital expenditure:

"Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management".

"Directly attributable". i.e if building a school – costs linked to the actual construction of the building, not temporary accommodation, moving people around etc.

Subsequent Capital Expenditure on an asset is defined as:

"Expenses that make it probable that future economic benefits will flow to the authority and whose cost can be measured reliably" Subject to….. "if the expenditure is to replace a component, the old component must be written out of the balance sheet".

Future economic benefits i.e it is not necessary for the expenditure to improve the condition of the asset beyond its previously assessed standard of performance – the measurement is against the actual standard of performance at the date of expenditure; e.g. if service potential or asset life is increased.

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CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

	Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 3	Previous 2015/16 (@ Q2 15/16)	2015/16 Q3 Adjustments	New Schemes 2015/16	Revised 4-year Plan Jan 2016: Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
PB = Approved Prudential Borrowing schemes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ADULT SERVICES										
Adult Care										
Adult Social Care	0		0			**0**				**0**
Autism Innovation - IT Enhancements	0	0	19	(19)		**0**				**0**
Mental Health Care Initiatives	711		7			**7**				**7**
Housing Strategy										
Affordable Housing	1,575		49			**49**	1,526			**1,575**
Sanctuary HA - Hayes Road Pgn	500		250			**250**				**250**
Spectrum HA - Castle Lane Tqy	200		200			**200**				**200**
	2,986	***0***	***525***	***(19)***	***0***	***506***	***1,526***	***0***	***0***	***2,032***
CHILDRENS SERVICES										
2 Year Olds Provision	253	58	193	(80)		**113**	80	0		**193**
Asbestos Removal	80		7			**7**				**7**
Barton Primary Cap Project	4,400	38	36			**36**				**36**
Brookfield House Site	750	45	650	(300)		**350**	400			**750**
Capital Repairs & Maintenance 2012/13	465	109	138			**138**				**138**
Capital Repairs & Maintenance 2013/14	0	4				**0**				**0**
Capital Repairs & Maintenance 2014/15 (incl. Furzeham)	802	507	620	150		**770**				**770**
Capital Repairs & Maintenance 2015/16	356	14	256	(220)		**36**	320			**356**
Childrens Centres	232		2			**2**				**2**
Cockington Primary expansion	3,373	82	356			**356**				**356**
Devolved Formula Capital		86	260	(100)		**160**	100			**260**
Education Review Projects		82	298	(150)		**148**	150			**298**
Ellacombe Primary expansion	502	142	464			**464**	20			**484**
EOTAS Halswell House	49		1			**1**				**1**
Key Stage 1 Free School Meals	122	11	12			**12**				**12**
New Paignton Primary school	5,000		0			**0**	750	2,250	2,000	**5,000**
Roselands Primary expansion	700	12	47			**47**	0	0		**47**

Agenda Item 4
Appendix 2

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

	Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 3	Previous 2015/16 (@ Q2 15/16)	2015/16 Q3 Adjustments	New Schemes 2015/16	Revised 4-year Plan Jan 2016 Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
Secondary School places	2,866	37	300			**300**	2,000	566		**2,866**
St Margaret Clitherow Primary expansion	623	293	294			**294**				**294**
Torbay School Hillside	120	1	21			**21**				**21**
Torre CoE Primary expansion	1,299	43	54			**54**				**54**
Warberry CoE Primary expansion	1,235		74			**74**				**74**
Whiterock Primary expansion	3,500	2,050	2,040			**2,040**	300			**2,340**
Youth Modular Projects	409	14	51	(20)		**31**	20			**51**
	11,281	***3,628***	***6,174***	***(720)***	***0***	***5,454***	***4,140***	***2,816***	***2,000***	***14,410***
COMMUNITY AND CUSTOMER SERVICES										
Babbacombe Beach Road	70		0			**0**	70			**70**
Barton Infrastructure	137		9			**9**				**9**
CCTV equipment	350					**0**	350			**350**
DfT Better Bus Areas	462	(62)	161			**161**	0	0		**161**
DfT Local Sustainable Transport Fund (Ferry/Cycle)	1,642	22	26			**26**	0	0		**26**
Disabled Facilities Grants		519	1,020	2		**1,022**	0		0	**1,022**
Disabled Facilities Grants Reserve - Potential reallocation (e.g. to Infrastructure)			398			**398**				**398**
Empty Homes Scheme	500	39	250			**250**	250			**500**
NGP - Strategic Cycleway	477		45			**45**				**45**
NGP - Windy Corner Junction	11		1			**1**				**1**
PB On Street Parking meters	857		1			**1**				**1**
Paignton Picture House	50	50	50			**50**				**50**
Princess Pier Decking	360		254			**254**	106			**360**
Private Sector Renewal			113			**113**	0		0	**113**
Public Toilets - Utilities saving measures	100	5	11			**11**	0	0		**11**
PB South Devon Link Road - Council contribution	20,224	8,738	11,739			**11,739**	1,500	1,500	1,407	**16,146**
St Michael's Chapel, Torre	95	82	71			**71**				**71**
PB Street Lighting - Energy reduction	515	30	46			**46**				**46**
PB Street Lighting - Energy reduction Ph2	1,112					**0**	1,112			**1,112**
SWIM Torquay - Improve facilities	594	13	0			**0**				**0**
TCCT - Grant re Green Heart Project	100	100	100			**100**				**100**
Torbay Enterprise Project	750	22	52			**52**				**52**

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

		Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 3	Previous 2015/16 (@ Q2 15/16)	2015/16 Q3 Adjustments	New Schemes 2015/16	Revised 4-year Plan Jan 2016: Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
	Torbay Leisure Centre - structural repairs	545	25	26			**26**	0	0		**26**
PB	Torre Abbey Pathway	49	2	2			**2**				**2**
	Torre Abbey Renovation - Phase 2	5,010	8	74	(74)		**0**	15			**15**
	Torre Valley North Enhancements	127		0			**0**	124			**124**
	Transport - Edginswell Station	4,489	297	209	115		**324**	0	4,000		**4,324**
	Transport Integrated Transport Schemes		599	670	0		**670**	1,184	931	667	**3,452**
	Transport Structural Maintenance		600	1,582			**1,582**	1,256	1,176	930	**4,944**
	Transport Structural Maintenance - Incentive Fund (funds at risk)	446					**0**	81	121	244	**446**
	Transport - Torquay Gateway Road Improvements	3,875	83	325			**325**	1,200	2,325		**3,850**
	Transport - Torquay Town Centre Access	625	29	385			**385**	176			**561**
	Transport - Western Corridor	7,405	799	2,300	(800)		**1,500**	3,900	1,600		**7,000**
		3,500	***12,000***	***19,920***	***(757)***	***0***	***19,163***	***11,324***	***11,653***	***3,248***	***45,388***
	CORPORATE AND BUSINESS SERVICES (INCL. CONTINGENCY)										
	Corporate Services										
PB	Corporate IT Developments	1,000					**0**	250	250	500	**1,000**
PB	Essential Capital repair works	3,000					**0**	1,500	500	1,000	**3,000**
	Enhancement of Development sites	261	19	30			**30**	173			**203**
PB	Office Rationalisation Project Ph 3 - Project Remainder	8,735	222	220			**220**				**220**
	Oldway Estate works	400		400			**400**				**400**
	Payroll Project	370	53	87			**87**				**87**
	Riviera Centre renewal	1,140	38	41			**41**				**41**
	General Capital Contingency	631	0	0			**0**	631	0	0	**631**
	Business Services										
PB	Beach Hut Acquisition/Renewal (Broadsands, Meadfoot)	2,591	396	384			**384**				**384**
	Brixham Harbour - Major repairs	90						90			**90**
	Brixham Harbour - Victoria Breakwater	42		4	(2)		**2**	0	0		**2**
PB	Claylands Redevelopment	10,000					**0**	10,000			**10,000**
PB	Council Fleet Vehicles	462	11	162	(140)		**22**	140			**162**
	Flood Defence schemes (with Env Agency)	789	153	166			**166**	155			**321**
	Haldon Pier - Structural repair Phase I&2	3,073	245	535			**535**				**535**

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

	Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 3	Previous 2015/16 (@ Q2 15/16)	2015/16 Q3 Adjustments	New Schemes 2015/16	Revised 4-year Plan Jan 2016: Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
Harbour Workboat	45					**0**	45			**45**
PB Investment Fund	10,000					**0**	5,000	5,000		**10,000**
Meadfoot Sea Wall stuctural repair	268	5	4	2		**6**				**6**
PB NGP - Torbay Innovation Centre Ph 3 (EPIC)	6,600		100			**100**	3,431	3,000		**6,531**
Oddicombe Beach Chalets	193	34	36			**36**				**36**
Old Toll House, Torquay	150		75			**75**	71			**146**
Princess Pier - Structural repair (with Env Agency)	1,744		0			**0**	1,744			**1,744**
Riviera Renaissance (Coastal Communities Fund)	649	1	1			**1**	0	0		**1**
Sea Change - Cockington Court	3,285	3	3			**3**				**3**
Small Ports Recovery Fund - Winter 13/14	295		4			**4**				**4**
PB TEDC Capital Loans	2,475	978	1,285			**1,285**	1,190			**2,475**
Torquay Harbour - Inner Harbour Pontoons	48	(5)			48	**48**				**48**
	58,336	***2,153***	***3,537***	***(140)***	***48***	***3,445***	***24,420***	***8,750***	***1,500***	***38,115***
TOTALS	***76,103***	***17,781***	***30,156***	***(1,636)***	***48***	***28,568***	***41,410***	***23,219***	***6,748***	***99,945***

CAPITAL INVESTMENT PLAN - QUARTER 3 2015/16 - FUNDING

	Previous 2015/16 (@ Q2 15/16)	2015/16 Q3 Adjustments	New Schemes 2015/16	Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
Unsupported Borrowing	13,008	(140)		**12,868**	19,322	9,171	2,789	**44,150**
Grants	14,501	(1,066)		**13,435**	18,679	13,716	4,237	**50,067**
Contributions	330	43		**373**	252			**625**
Reserves	142	(64)	48	**126**	1,167	253	(396)	**1,150**
Revenue	818			**818**	229	79	118	**1,244**
Capital Receipts	1,357	(409)		**948**	1,761			**2,709**
Total	***30,156***	***(1,636)***	***48***	***28,568***	***41,410***	***23,219***	***6,748***	***99,945***

TORBAY COUNCIL

CAPITAL PLAN 2016/17 TO 2019/20

SUPPORTING INFORMATION

CONTENTS **PAGE**

Produced By:

Torbay Council,
Town Hall,
TORQUAY

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1. Introduction

The Council's Constitution requires the Capital Plan to be approved by full Council each year as part of the budget setting process.

In reality capital funding and approval of schemes is now an ongoing process and not linked to individual financial years as with the revenue budget. The Council currently receives a four year capital plan update and approves schemes on an ongoing quarterly basis. All capital update reports are subject to review by the Overview and Scrutiny board prior to being presented to Council.

The capital plan that will be presented for approval will be the capital plan position as reported as at Quarter Three 2015/16 – to the end of December. That will be the Quarter Two plan as presented to OSB and Council in November and December updated for new funding/schemes and any changes in profiles of schemes.

To enable review of the current plan this note will outline the funding options for 2016/17 and future years and will outline the potential projects (from the capital reserve list) that Council may wish to consider for future years if funding is available.

The Board are invited to review the Capital Plan at a future meeting and make recommendations on capital expenditure and capital funding to the Mayor, if required, prior to approval in February 2016.

The Capital Plan is closely linked to the Capital Strategy, Treasury Management Strategy, Highways Asset Management Plan and the Corporate Asset Management Plan.

2 Capital Funding 2016/17

2.1 Capital Grants: - Reoccurring Grants

The Council receives a number of central government grants on an annual basis:

2.1.1 Devolved Formula Capital. This is a ring fenced grant to support school capital expenditure. As ring fenced to schools there is no Council discretion.

1.1.2 Basic Need – Schools. This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to schools. Therefore no decision is required for 2016/17.

1.1.3 Condition – Schools. This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to schools. Therefore no decision is required for 2016/17.

1.1.4 Transport – Structural Maintenance. This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to transport. Therefore no decision is required for 2016/17.

2.1.5 Transport - Integrated Transport - This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to transport. Therefore no decision is required for 2016/17.

2.1.6 Disabled Facilities Grants (DFG) - This is part of the Better Care Fund therefore it will be allocated to Disabled Facilities Grants or other social care and health initiatives.

2.1.7 Adult Social Care - This is part of the Better Care Fund therefore it will be allocated to social care and health initiatives.

2.2 Capital Grants: - Project Specific Grants

The Council continues to bid for additional external grant funding but, in line with the capital strategy, restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and future revenue consequences have been considered and approved. All bids are to be agreed with the Mayor and Executive Director prior to submission.

Funding Bids are made to a number of agencies including:

Environment Agency
Local Enterprise Partnership
European Union
Big Lottery
Sport England
Historic England
Arts Council
Central Government Departments (DCLG, DoT, DoE, DoH etc)

2.3 Capital Receipts and Capital Contributions

The current policy is to pool all capital receipts from the sale of all assets sold to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital receipts target to support the approved Plan that has not yet been met. All capital receipts received should be allocated to support this target and not allocated to new schemes. Therefore there isn't any decision required on the allocation of capital receipts.

The current policy is to pool all capital contributions such as s106 contributions to support the Capital Plan in line with funding the Council's priorities. The current Capital Plan has a capital contributions target to support the approved Plan that has not yet been met. All capital contributions received should, where possible, be allocated to support this target and not allocated to new schemes. Therefore there isn't any decision required on the allocation of capital contributions.

Any monies received for infrastructure from the Community Infrastructure Levy (when introduced) will not be allocated to a specific service but will be allocated under the CIL arrangements ("the 1,2,3 List") in line with Council's capital scheme priorities including any specific funding requirements such as the South Devon Highway. Therefore there isn't any decision required on the allocation of the CIL.

2.4 Borrowing

As supported borrowing from central government no longer exists the only form of borrowing open to the Council is unsupported or prudential borrowing.

In the absence of new capital receipts, contributions or additional un ring fenced grants and the pre allocation of un ring fenced grants to both schools and transport the only funding option available to the Council would be from prudential borrowing. Borrowing requires the repayment of principal borrowed and interest costs on the borrowing until repaid. This typically equates to £70,000 per annum for each £1m borrowed and repaid over 25 years.

Council is able to approve borrowing for new schemes providing it is prudent/affordable and that council identify how the borrowing will be funded.

One suggestion members may wish to consider is the creation of an Investment Fund to generate investment returns that can be used to support the Council's revenue budget. On a 25 year repayment the rate of return would need to be in excess of 8% per annum on the value of the investment. Council could consider a fund of up to £10 million and establish a set of investment criteria for officers to comply with in terms of suitable investments.

2.5 Alternative Funding and Delivery Opportunities

Linked closely to the capital plan is the use of alternative methods of supporting capital expenditure within the Bay, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Council. The Council can use its assets to support schemes or aim to maximise funding from any source possible, such as European or Local Enterprise Partnership funding.

2.6 Prioritisation and Capital Reserve List

The current four year Capital Plan is attached as an appendix to the latest Capital Plan quarterly update report. The Plan contains previously approved allocations of funding and schemes.

In light of the significant ongoing financial challenges facing the Council the Council will prioritise capital projects that result in increased income to the Council. It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. To support allocation of funding a Capital Reserve list is maintained with a list of potential schemes.

An extra column has been added to show which projects could result in a direct income stream or revenue savings to the Council. Other projects in particular around transport could result in more regeneration leading to increased Business Rate income for the Council but is a more subjective judgement so not included. To support future prioritisation a "matrix" scoring criteria will be devised and applied to capital prioritisation to include factors such as legislation, health and safety, mayoral priority, income potential, risk, community support etc.

A summary of potential capital projects that are currently unfunded are as follows:

Direct Income or savings for Council	**Scheme**	**Cost to Council £m**	**Notes**
Mayoral Pledges			
No	Torquay Harbourside, Option 1 - Mayoral Priority Scheme	0.35	Approved By Council Sept 15 pending identification of funding
No	Brixham Railhead	tbc	Create rail link to Brixham – requires feasibility work
No	Edginswell Station	tbc	In current Capital plan, however currently a funding shortfall
No	Western Corridor – Dualling	tbc	Continued works to improve traffic flow and capacity
Children's Services			
No	New Primary School at Edginswell	tbc	For school places from 2020.
Adult Services			
No	Learning Disability relocation	tbc	Potential relocation of clients from Hollacombe
No	New Affordable Housing schemes	tbc	Linked to Housing Strategy – schemes in excess of £1.6m currently available
Yes	Invest to save schemes to realise future savings	0.4	Linked to ICO service transformation schemes for both adults and Children's social care
Corporate and Business Services			
Yes	Investment Fund	10.0	Fund to purchase investment properties
No	Backlog Property Assets R&M	22.0	Outstanding repairs on Council property assets – linked to Asset Management Plan
No	Emergency Infrastructure Works	tbc	Funds to action emergency works in relation to storm damage, cliff faces etc
Yes	Brixham Town Centre	tbc	Future options for car park site
No	Car Park Fencing	0.062	

No	Crown & Anchor Way	tbc	Potential purchase of land for highways and parking issues.
~~Yes~~	~~Claylands – Regeneration /Employment~~	~~7.5~~	~~Potential prudential borrowing scheme subject to business case~~ ~~Scheme approved December 2015~~
No	Cockington Court	0.7	Backlog repairs on property leased to TDA
No	Council storage solution	tbc	Permanent solution to storage of records
No	EA Scheme - Brixham Flood Alleviation	0.060	Council contribution to Environment Agency scheme
No	EA Scheme - Broadsands Sea Wall	0.080	Council contribution to Environment Agency scheme
No	EA Scheme - Broadsands Watercourse	0.300	Council contribution to Environment Agency scheme
No	EA Scheme - Coastal Defences	0.105	Council contribution to Environment Agency scheme
No	EA Scheme - Cockington	0.105	Council contribution to Environment Agency scheme
No	EA Scheme - Collaton St Mary	0.050	Council contribution to Environment Agency scheme
No	EA Scheme - Hollicombe	0.100	Council contribution to Environment Agency scheme
No	EA Scheme - Monksbridge	0.050	Council contribution to Environment Agency scheme
No	EA Scheme - Occombe Valley	0.030	Council contribution to Environment Agency scheme
No	EA Scheme - Paignton Flood Alleviation	0.066	Council contribution to Environment Agency scheme
No	EA Scheme - River Fleet Flood Alleviation	0.050	Council contribution to Environment Agency scheme
No	Edginswell Master plan	tbc	Potential regeneration scheme
Yes	Fish Processing Plant – Regeneration	2.3	Potential regeneration scheme
No/Yes	Harbour Projects to be funded from harbour reserves	0.2	Repairs at Brixham Harbour, new workboat and spend on pontoons at Torquay harbour
No	Illumination Replacement - phase 2	0.072	Investment in festoon lighting
No	IT infrastructure Replacement	1.7	Future funding of IT infrastructure after IT reserve has been fully spent.
No	Monksbridge Road – Local Transport Board Bid	0.300	Potential Council match funding required
No	Multi Storey Car Parks R&M Backlog	3.2	
Yes	Oxen Cove - Possible development	tbc	Potential regeneration scheme
No	Paignton Town Centre – Local Transport Board	1.7	Improved transport links & infrastructure
No	Princess Gardens Fountain	0.050	
No	Princess & Haldon Piers	4.6	Structural Issues on Piers
Yes	Torquay Town Hall car park	tbc	Potential regeneration scheme
Yes	Town Centres Master plans – Torquay	tbc	Potential Council match funding and assets

			required
Yes	Town Centres Master plans – Paignton	tbc	Potential Council match funding and assets required
Community and Customer Services			
No	A385 Totnes Road – Local Transport Board	0.4	Potential Council match funding required
Yes	Backlog Transport Infrastructure R&M	11.0	Backlog repairs on transport infrastructure assets Potential invest to save case to be developed
No	Brixham Transport Hub – Local Transport Board	0.150	Potential Council match funding required
No	Clennon Valley Transport Package – Local Transport Board	1.1	Cycleway to Long Road & Dartmouth Road improvements
No	Bolton Cross	tbc	Potential future development of site
No	Princess Theatre Investment	1.0	Support potential investment in theatre improvements
~~Yes~~	~~Street Lighting~~	~~1.1~~	~~Prudential Borrowing to be presented to Council for expansion of LED lighting~~ ~~Approved by Council December 2015~~
No	Torre Abbey Gate House	tbc	Structural repairs required
No	Willows Sport Pitches	0.5	Potential Council match funding required
No	Helipad	tbc	Feasibility required to support business case
No	Torquay Harbourside - Option 2 & 3	4.0	Further enhancements to Torquay Harbourside area
No	TOR2 Asset Replacement	tbc	Potential costs of asset purchases (vehicle and plant) in relation to TOR2 services
No	Torre Railway Station – Local Transport Board	0.1	Potential Council match funding required
No	Torquay Harbourside and Sea Front – Local Transport Board	1.7	Improved transport links & infrastructure

2.7 Options

Members when reviewing the capital plan have a number of options to consider.

These include:

- Review current plan and reallocate funding from previously approved schemes or allocations to fund alternative schemes
- Recommend prudential borrowing to fund schemes
- Recommend alternative options to fund schemes
- Recommend bids for external funding to fund schemes
- Recommend individual projects within previously approved service allocations
- Recommend additional asset disposals to fund schemes
- Recommend priority schemes for approval should funding become available

Corporate
Asset Management Plan

2015 to 2019

2015/16 REVISION

FOREWORD

The effective use of assets is a key factor in delivering to the community of Torbay the objectives and priorities they have set for the Council. This plan sets the agenda for us to achieve that by adopting the following guiding aim:

> *"The principle aim of an Asset Management Plan should be to ensure that the opportunity cost of financial resources tied up in land and buildings is minimised, and that capital and revenue expenditure on the portfolio is directed efficiently and effectively to provide value for money."*

The Council is fully committed to the principle of the most efficient use of assets and this document establishes the objectives, processes and actions that all Council Members and Officers will follow to achieve that aim.

……………………….. ………	…………………………………
Mayor & Leader of Torbay Council	Torbay Council Executive Director
Gordon Oliver	Steve Parrock

CONTENTS

EXECUTIVE SUMMARY

This Plan defines Torbay Council's Corporate Asset Management Strategy for the four year period commencing April 2015 to 2019 and is reviewed annually. Torbay Council has commissioned the Torbay Economic Development Company (TEDC) trading as Torbay Development Agency (TDA) to deliver the Corporate Asset Management Plan (CAMP). The Executive Head of Business Services will act as the lead Client Officer and will serve as the point of contact for the TDA to request/receive instructions on property/asset matters.

Torbay Council has a considerable number of assets, which are not only essential to service delivery but underpin much of the Bay's economy. Unfortunately many of these assets are in poor condition and not fit for purpose. This plan sets out strategies to rationalise the number of assets, replace them where appropriate and improve the condition of those remaining.

The overarching objectives of the CAMP are to:

- Identify and explain the importance of effective Asset Management
- Identify and explain the best practice processes that need to be followed in order to deliver effective Corporate Asset Management with regard to best practice:
    - Audit Commission recommendations in their national publication "Room for Improvement"
    - The Governments Operational Efficiency Programme (Asset Management and Sales & Property)
    - RICS Public Sector (CLG) Asset Management Guidelines
    - RICS Local Authority Asset Management Best Practice Guidelines
- Identify the specific issues that currently affect Torbay Council's land and building assets and the ability of those assets to deliver the current Corporate Plan objectives
- Identify strategies to address and resolve systemic backlog maintenance to reduce Category D and Priority 1 (Health and Safety) maintenance items by 2018
- Integrate the objectives of the Local Plan, Council approved Masterplans and the Torbay Economic Strategy with the Council's regeneration property objectives
- Link previously separate policies relating to Strategic Asset Management, Energy Efficiency, Carbon Reduction and the centrally funded Corporate Repairs and Maintenance programme
- Establish a Property Strategy Action Plan summarising the required actions arising from those recommendations
- To incorporate the Heritage Strategy and in particular the Action Plan

The plan is set out in six sections briefly summarised as follows.

1.0 Plan Context	Sets the CAMP within context of delivering the Council's vision and priorities
2.0 Asset Management Practice, Objectives & Principles	Defines the good practice aims, objectives and principles for the Council's use of assets
3.0 Organisation	Outlines the processes adopted by the Council
4.0 Consultation	Describes the processes adopted to ensure corporate asset management planning is correctly aligned to Community priorities
5.0 Performance Monitoring	Describes the processes for monitoring and reporting progress to the Council and Community
6.0 Challenges & Opportunities	Identifies the challenges and opportunities for Torbay Council's assets

1.0 PLAN CONTEXT

Torbay Council's ambitions are for:

"A Prosperous Torbay" and "A Healthy Torbay"

The Council's vision for the built environment has been developed in consultation with the community and is defined within the Council's key strategic documents:

Torbay Council's Corporate Plan 2015-2019
Torbay Economic Strategy 2013-2018
Torbay Local Plan
Torbay Heritage Strategy
Torbay's Housing Strategy 2015-2019
Geopark Management Plan
Torbay Biodiversity and Geodiversity Action Plan

A relatively small number of major assets are in very poor condition but there is little prospect of funding the repair or renewal without accompanying enabling redevelopment. This plan outlines a generic approach to tackle the repair of these assets through engagement with the private sector.

The effective use of Council owned assets can also help stimulate the economy and act as the catalyst for regeneration and house building. This Plan will encourage and facilitate partnerships between private developers and Torbay Council to help regenerate and develop key assets owned by the Local Authority.

All actions recommended within the Corporate Asset Management Plan strive to promote the use of assets in a way that positively assists the Council to deliver the current Corporate Plan. The following principles from the Corporate Plan guide this:

- Use reducing resources to best effect
- Reduce demand through prevention and innovation
- Integrated and joined up approach

The management of transport infrastructure assets is not held within this plan. In 2016-17, the Council will have to comply with transport infrastructure accounting regulations.

2.0 ASSET MANAGEMENT PRACTICE, OBJECTIVES & PRINCIPLES

Best Practice in Asset Management

The government have sponsored various reports regarding best practise in asset management.

National Government has developed a Public Sector Operation Efficiency Programme (OEP) which has work strands on Property and Asset Management and Sales.

This was developed by the Audit Commission In their "Room for Improvement" document reviewing Asset Management practice in Local Government.

The culmination of this work is the publication by the RICS on behalf of CLG of Public Sector Asset Management Guidelines and Best Practice Guides for Local Government Asset Management.

This Asset Management Plan reflects many of the key steps advised in those documents - although there is always room to strive for continuous improvement.

Regeneration Objectives

The Economic Strategy has been developed as a response to the challenging economic conditions within Torbay and looks to create the environment for investment from businesses and others to take the Bay forward. A number of physical regeneration opportunities are projects which sit on Council land. In light of the significantly changed funding regimes which have restricted investment into opening up employment sites Torbay is therefore well placed to combine the economic prosperity ambitions of the Bay with its own corporate service property objectives. The Torbay Economic Development Company is well placed to deliver this Commission.

Heritage

The Council commissioned the Torbay Economic Development Company to update the 2004 Heritage Strategy building on the foundations within the 2004 version to produce the 2011 version. The Heritage Strategy has been put in place to protect and enhance the heritage assets of Torbay for future generations, both those of local and national significance. Also it aspires to use this 2011 Strategy to ensure that Torbay's heritage assets are used as a key driver for the regeneration of the Bay and to focus resources on our most valued heritage assets. The Council has a number of Heritage Buildings within its portfolio and therefore there is appropriate regard to and priority given in planning asset management to those Council properties within the Built Heritage Action Plan.

Asset Management Principles

To achieve these objectives, it is proposed that the Council manage the use of assets in a manner that adheres to the following guiding principles:

To manage assets strategically:

- To provide effective property solutions for service delivery using assets in a way that promotes not constrains service delivery
- Establish Service Asset Management Plans for all services, which address the property needs of the service
- Where possible utilise surplus land for Housing purposes, whereby a higher than planning policy level of affordable housing could be delivered in a range of formats to preserve as far as is possible the land value
- Provide a clear Corporate process for the Council to prioritise and endorse specific plans and initiatives
- Ensure appropriate technical resources are available to support the development and implementation of Council endorsed initiatives
- Ensure buildings are suitable, accessible and fit for the purpose they are used
- Be guided by the Port Masterplan as it acts as a framework document to set the scene for the future of the port and to ensure sustainable development

To continuously maintain and improve assets:

- Maintain accurate records of elements in need of repair
- To consider the optimum utilisation of all assets whether operational or non operational
- Establish clear responsibilities for rectifying items of disrepair
- Establish clear responsibilities for addressing major replacement items
- Ensure appropriate technical resources are available to manage repair works
- Ensure major repair projects are procured to provide best value for money and in a manner that complies with Government regulations
- Ensure statutory obligations such as DDA, Asbestos and Water Hygiene are complied with

To release value and minimise cost:

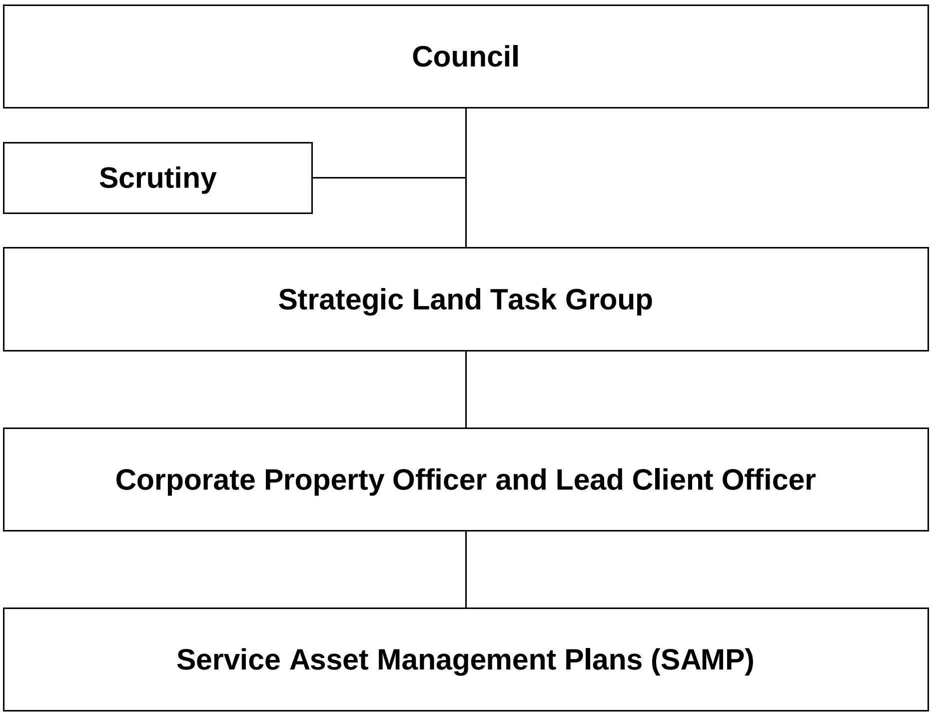
- Due to the financial challenges facing the Authority and the possible future reductions in Revenue Support Grants (RSG), unless there is specific approval at Full Council to the contrary, the Council will:
    - Always seek to maximise the full market receipt for their assets whether by way of freehold disposal or leasehold interest
    - Seek to maximise revenue streams either through development or retention of the asset base
    - Ensure that receipts obtained from disposals will be used to deliver the Capital Strategy which will have an emphasis on investing in revenue generating opportunities
    - Not restrict or reduce the current or future value of its assets through the use of contractual restrictions, covenants, peppercorn rents
    - Ensure any grant from the Council to assist with a tenant's rent will be reviewed annually
- Undertake a strategic review of all assets to identify performance and yield and challenge the manner of use of all assets for the potential to generate additional revenue. Where assets are underperforming we shall seek future investment creating alternative uses or look to dispose of assets and reinvest capital receipts in the capital programme or other investment opportunities.
- Monitor the market for investment opportunities, principally in Torbay but not exclusively and look to acquire new assets where the yield offers a better return on investment
- Ensure the Council's disposal list is effectively implemented
- Continue to ensure that non operational investment properties are performing
- Monitor running costs to target potential savings and implement more cost alternative solution
- Provide effective facilities management to assets, including energy efficiency and carbon reduction programmes

To provide accurate data for informed decision-making

- Develop improved information databases
- Ensure data is actively managed to remain accurate
- Establish protocols for the responsibility of updating data
- Ensure appropriate technical resources are available to carry out surveys to update data

3.0 ORGANISATION

Torbay Council has adopted the following processes and procedures for the delivery of Corporate Asset Management Planning.



Service Asset Management Plans (SAMP)

Formal SAMP's for all services for a five-year period have been developed and were updated by services in 2013. A key action point for the Strategic Action Plan will be to use the outcomes to drive the current Corporate Asset Management Plan. This will provide a fully integrated line of asset management planning and consultation from front line service delivery to corporate planning.

An example template of the formal SAMP's layout is attached at Appendix AM-A.

Corporate Property Officer (CPO) and Lead Client Officer

The TEDC is commissioned by the Council to provide asset management services and to manage the Council's overall asset management process. Within the TEDC, the Head of Asset Management and Housing is responsible for advising the Strategic Land Task Group and is supported by professionally trained property officers within the Company's Asset Management Team. The Lead Client Officer will provide formal recommendations to Council in relation to asset decisions and will issue instructions to the TEDC as required, within the Scheme of Delegation.

Strategic Land Task Group

This group was established to maximise the return from Council assets that have been identified for disposal. The group identifies reviews and then approves the preferred option for a site / property and any associated budget within the approved budget set by Council. Proposals are assessed and prioritised while having regard to deliverability and return on investment. Work programmes are approved and co-ordinated to bring sites forward in a timely manner.

Capital Strategy and Plan

The Council's Capital Strategy is dealt with in detail in a separate strategic plan. However, as the Capital Strategy and Asset Management Plan have such strong fundamental links both are dealt with together to ensure a common approach.

The Corporate Capital Strategy is the key strategy policy framework document that sets out the principles to be used as guidance in the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Investment Plan.

The Capital Strategy should be referred to for further detail.

4.0 CONSULTATION

Consultation with the Community

The Corporate Asset Management Plan is set specifically in the context of the Corporate Plan to ensure that all of the extensive consultation carried out by Torbay Council with the community of Torbay is reflected within it.

Consultation with Stakeholders and Services

Effective consultation with Stakeholders and Services is ensured via an approved email circulation group.

The CPO consults when appropriate with major Stakeholders on asset issues, potential disposals and specific project delivery. This includes consultation with the relevant Community Partnership and Ward Councillors. Community Partnerships provide an opportunity for people who live or work in the different parts of Torbay to discuss issues of common concern, influence the way in which services are provided and improve their local area.

5.0 PERFORMANCE MONITORING

Corporate Asset Management Monitoring

The overall progress and performance of the Corporate Asset Management Plan aims and objectives are reviewed by Council annually.

Key Asset Management Performance Indicators

The following performance indicators have been adopted by the Council for use in asset management performance monitoring. These indicators have been developed by the property industry and approved by Government as follows:

PI1	Condition and Maintenance Indicators
PI2	Energy, Water Consumption and CO2 emissions
PI3	Suitability
PI4	Building Accessibility

The PI out-turns are reported to Council within the yearly review of the Corporate Asset Management Plan. The outcomes for 2014 to 2015 with comparison to previous years and comments on trends and specific issues is included attached at Appendix AM-B.

6.0 CHALLENGES AND OPPORTUNITIES

The asset portfolio is large, diverse in nature, includes large numbers of very low value assets and includes 50 listed buildings with restrictions on use.

There are a number of specific challenges listed below for Torbay Council's assets that arise from a combination of the Council's history, Corporate Plan objectives, proposed changes to service delivery and the nature & condition of the asset portfolio.

6.1	Regeneration and Housing
6.2	Suitability of Assets
6.3	Asset Rationalisation Project
6.4	Economic Development of Council Assets
6.5	Repair and Maintenance
6.6	Asbestos and Water Hygiene
6.7	Energy Management
6.8	Office Rationalisation
6.9	Data Management
6.10	Community and Shared Use
6.11	Tenanted Non Residential Properties

6.1 Regeneration and Housing

Where we are now

Torbay Council and the Torbay Economic Development Company is working together reviewing the most appropriate delivery methods for Torbay's major regeneration projects focusing on the Town Centres and other strategic sites that will benefit from the completion of the South Devon Link Road in 2015. Work continues to provide development schemes for each of the Town Centres with master plans.

The prime emphasis going forward will be to focus on an Employment and Regeneration programme that brings employment, offices, retail opportunities, business development, improved tourist facilities and public realm improvements to Torbay. It will also be important to ensure that Torbay provides new homes commensurate with the planned growth in employment.

Actions to date

- Work continues to develop key projects and identify appropriate public sector funding opportunities to implement the Economic Strategy and its delivery programme. In particular the focus is to produce suitable development schemes e.g. additional workspace for new and growing businesses, the identification of other sites appropriate for business growth such as Torquay Gateway, Oxen Cove and Whiterock, Paignton; better sports facilities at Clennon Valley, Paignton; Palm Court redevelopment, Oldway and facilitating a new supermarket into Brixham Town Centre and producing suitable development schemes for the Town Centres/ harbour areas
- Work on our flagship Eco housing development has come to an end delivering 145 homes including many that meet level 4 & 5 of the Code for Sustainable Homes. The development has been recognised locally and national winning the best large housing development Michelmores SW Property Awards and at the National Housing Awards
- Completion of a 45 unit Extra Care development at Dunboyne and commencement of another 123 unit Extra care development at Hayes Road that provides homes for residents with care and support needs along with on site facilities that include a restaurant, hair salon and fitness studios
- The redevelopment and regeneration of the historic pre fabricated affordable housing units in Paignton that have been replaced with efficient modern family homes
- The Strategic Land Task group continues to look at the regeneration opportunities surrounding the new South Devon Link Road and maximising the return from Council assets
- Progression of the 'Planning for a successful Torbay' Strategy and the adoption of the Affordable Housing and Planning Contributions Supplementary Planning Document
- The Employment land review has now concluded providing useful data that has informed the Local Plan process

Where we need to be

- Ensuring that the Council uses its assets and powers to effectively promote and facilitate employment growth, inward investment and regeneration
- Working together including with the private sector to deliver the Regeneration programme which will include Council assets
- Ensuring all investment in the Bay supports the Council's economic growth objectives and has widespread regenerative benefits

- Ensure all projects are consistent with the Council's planning policy framework (Torbay Local Plan)
- Ensuring maximum funding is secured from all possible public sector funds
- Promoting the new South Devon link road between Torquay and Penn Inn

Issues

- Considerable resources may continue to be required to deliver the stepped changes required
- Public sector interventions (i.e. through simplified planning processes) and investment will be required to stimulate the market locally
- Public sector investment, particularly grant, is shrinking given the national financial picture, innovative solutions are required
- Central government now provide direct incentives for regeneration and housing such as new homes bonus' and business rates retention scheme

Action Plan

Action	Target Date	Responsibility	Current Status
Deliver an inward investment programme	Ongoing	TEDC	Ongoing
Maximise the delivery of Affordable housing for local people	Ongoing	TEDC / Torbay Council	Ongoing
Working with the private sector to deliver the regeneration programme	Ongoing	TEDC	Ongoing
Maintain rolling Regeneration programme to monitor progress	Ongoing	TEDC	Ongoing
Work with the Heart of the SW Local Enterprise Partnership to ensure its priorities accord with Torbay's and funding opportunities are maximised	Ongoing	TEDC for the Council	Ongoing
Working with the Council / local neighbourhoods and colleagues to complete the South Devon link road implementation	Ongoing	TEDC / Teignbridge Council / Torbay Council	Opened December 2015
Continue to use Council assets to facilitate and fund employment growth and regeneration	Ongoing	TEDC for the Council	Ongoing

Risks

- The Property Market
- Public Sector funding sources continue to reduce
- Human Resources – the right people for the right job with the capacity to do the job
- Actions require long term support

Benefits

- A joined up regenerated Bay
- Private sector involvement to help facilitate regeneration of Torbay
- Successful implementation of the economic strategy and local plan leading to economic prosperity for the Bay

- Improved Corporate property values by raising and improving the economic profile of the Bay
- To increase supply of affordable homes for rent and shared ownership to meet the needs of local people
- Heritage Assets improved
- Improve the value generated from Council assets

6.2 Suitability of Assets

Where we are now

Torbay is a geographically diverse area with a highly transient population and limited economic resources. A wide variety of public services need to be provided requiring a wide variety of assets. The current asset portfolio was inherited from a number of sources when the authority gained unitary status in 1998. Under these circumstances maintaining suitable assets is extremely challenging and will remain a constantly ongoing task.

Actions to date

The Council has raised the importance of the need to change the use of assets through regular asset reviews. The following actions have been implemented:

- Service Asset Management Plans have been developed for all services
- Opportunities for change of use are specifically considered cross service
- A number of surplus assets have been disposed of or identified for disposal
- A review of assets with potential for affordable housing use has been carried out
- A comprehensive review of Community Services assets has been instigated
- Development of a five year rolling programme of condition surveys and a five year maintenance plan
- Suitability survey template established and completed by most services which then feeds into the Suitability Performance Indicator
- In April 2015, approximately £1.7m of premises budgets were centralised within the TEDC's Asset Management Team. This has allowed the effective prioritisation of repairs, efficiencies in completing works and ensures repairs are strategically assessed.

Where we need to be

Torbay Council needs to develop the review of assets in a way that ensures:
- All assets are suited to the purpose for which they are used
- An effective means to constantly review and challenge the use of assets
- A review of the Council's substantial portfolio of Tenanted Non Residential Property (TNRP) principally around the reasons for holding the assets. See Section 6.11 for further details
- Disposal of assets that are surplus to the Council's requirements

Issues

- Continuation of the Service Asset Management Plans and Suitability Surveys are essential to provide the background information required to develop a 5 year property plan and investment strategy. These will form the basis of a property review. The plans will be subject to a challenge process by the Strategic Land Task Group

- The Disposal Programme is being progressed
- The Action Plan particularly in regard to service asset management plans is a comprehensive project which will require resources if it is to be delivered

Action Plan

Action	Target Date	Responsibility	Current Status
Completion of all Service Asset Management Plans	Ongoing	CPO with service heads	100% Achieved
Complete Suitability Surveys	Ongoing	Service users / CPO	Achieved
Maintain 5-year rolling Maintenance Programme	Achieved	CPO / TEDC	Achieved and Ongoing
Maintain rolling programme of Condition Surveys	Achieved	CPO / TEDC	Achieved and Ongoing
Continue programme for asset disposal	Ongoing	CPO / Heads of Service	Ongoing
Consider centralising all R&M budgets to allow strategic allocation and investment	March 2016	CPO / Head of Asset Management	Phase 1 Completed April 2015
Review and consolidate the range of asset meetings that take place	December 2014	CPO / Head of Asset Management	Completed

Risk

There is a high risk that without these actions to deliver a more structured and comprehensive approach opportunities for improvement and reduction in costs will be missed.

Benefits

The proposed strategy will deliver:

- A coordinated planning process from front line service delivery to corporate decision making
- Clear identification of areas requiring priority action
- Improved data and information to enable informed decision making
- Efficiencies in raising orders
- A clear plan for the improved use of assets for all services linked to Council priorities
- Better identification of surplus assets and potential capital receipts for funding priority schemes
- A direct benefit to all the Corporate Plan Key Objectives

6.3 Asset Rationalisation Project

Where we are now

The further development of Torbay Online Asset Database (TOAD) has produced significant levels of data that has assisted in a comprehensive review of the Council's assets. This initially identified circa 100 potential assets for disposal. These were all scored and reviewed for planning, ownership and valuation issues in order to produce a matrix and disposal programme and community consultation took place. In May 2008 a report went to Cabinet and it was agreed that 36 assets were declared surplus, 5 assets would be retained and the Council would invite community interest for the possible transfer of 2 assets. A further 5 Assets were approved for disposal in July 2009, another 5 in October 2010, another 5 in May 2013, another 10 in May 2014 and an additional 2 assets in September 2014. This process needs to be ongoing to ensure an annual review of further assets that can be sensibly disposed of where they are proven to have no operational or financial justification to be retained.

Due to the financial challenges facing the Authority and the possible future reductions in Revenue Support Grants (RSG), unless there is specific approval at Full Council to the contrary, the Council will:

- Always seek to maximise the full market receipt for their assets whether by way of freehold disposal or leasehold interest
- Seek to maximise revenue streams either through development or retention of the asset base
- Ensure that receipts obtained from disposals will be used to deliver the Capital Strategy which will have an emphasis on investing in revenue generating opportunities
- Not restrict or reduce the current or future value of its assets through the use of contractual restrictions, covenants, peppercorn rents
- Ensure any grant from the Council to assist with a tenant's rent will be reviewed annually

The Council will undertake a strategic review of all assets to identify performance and yield and challenge the manner of use of all assets for the potential to generate additional revenue. Where assets are underperforming we shall seek future investment creating alternative uses or look to dispose of assets and reinvest capital receipts in the capital programme or other investment opportunities.

The market will be monitored for investment opportunities, principally in Torbay but not exclusively and look to acquire new assets where the yield offers a better return on investment

Actions to date

The following actions have been completed:

- The first Community Asset Transfer was completed in February 2012 (See Section 6.10 for further details about the CAT process)
- Thirty nine assets have been sold (December 2015)
- There have been total receipts of £5,950,850, an aggregate saving on repairs and outgoings of £985,020 and further yearly savings of £80,805
- The sale of vacant sites has enabled the provision of 119 new residential units
- A Comprehensive Matrix Based Assessment of each asset including legal, planning and valuation matters

- Consultation on the possible disposal list to all elected Members, Community Partnerships, Brixham Town Council and Members of Public
- Currently community interest for the possible transfer of 1 asset
- The development and Member approval of a Community Asset Transfer Policy
- The appointment of an auctioneer to assist in the disposal programme
- Press advertisements and notices erected on sites inviting Community organisations to confirm/make an initial expression of interest in any of the confirmed disposal list of properties
- Generic Disposal Assessment procedure prepared and flowcharted

Where we need to be

- The disposal programme is inhibited by the level of resource available and therefore to accelerate this programme and increase the level of receipts, 4% of all disposal receipts will be used to cover the cost of the additional resource required to deliver the disposal programme

Torbay Council needs to dispose of more non essential and poorly utilised assets to:
- Maintain efficiency
- Service the capital programme by bringing forward assets for disposal as the programme dictates
- Achieve wider regeneration objectives as appropriate
- Dispose of assets that no longer have valid use or are not cost effective

Issues

- The number of potential assets for disposal present some considerable challenges to ready them for disposal - this is an intensive and time consuming project
- The current state of the property market may delay progress on sales
- If it is seen appropriate to obtain planning permissions prior to selling assets this will cause a delay
- Demand from services for assets which have been declared potentially surplus
- Future Government Legislation and Local Policies such as Local Development Orders to create enterprise areas

Action Plan

Action	Target Date	Responsibility	Current Status
Regular review of assets for disposal	Ongoing	CPO with service heads	Ongoing
Provide Interface with Internal Stakeholders	Ongoing	CPO with service heads	Ongoing
Prepare Generic Disposal Assessment procedure	Achieved	CPO with service heads	Ongoing as requirements change
Review the effectiveness of the Community Asset Transfer policy	March 2015	CPO / Head of Asset Management	Completed
Progress the Disposal Programme	Ongoing	Agents, Estates Officers, CPO	Ongoing
Review financial and standing orders regulations relating to disposals and new leases	April 2016	Estates Manager	Ongoing

Risks

- There is a high risk that without these actions and more resource, opportunities for driving value or delivering regeneration may be missed
- The Property Market
- There is a high risk that demand from services for assets will have an effect on receipts

Benefits

The proposed strategy will deliver:
- A coordinated process of disposals and asset rationalisation
- Assets from which to drive capital receipts
- Assets that can help the economic and social regeneration of the Bay

6.4 Economic Development of Council Assets

Where we are now

Torbay, in common with other coastal resorts, has a narrow economic base with the dominant employment sectors, including hospitality and retail, being primarily low pay. There are opportunities for the growth of the local economy by concentrating on sectors where there are local strengths and where the following sectors having demonstrated the potential - the re-emergent advanced electronics and engineering, marine, fisheries, professional services and the health economy.

To deliver the Council's economic strategy objectives and support the growth of local businesses, attracting new investment is essential in order to create the physical environment and conditions for growth. Council assets, including highways infrastructure therefore have a direct role in developing growth and should be developed in a way that supports that aim.

Short term focus is required to ensure that appropriate assets are used to deliver economic infrastructure and employment land to support growing local businesses and inward investment.

Actions to Date

The Council has recognised the impact of assets on developing the economy and the following actions have been implemented:
- The establishment of the Torbay Economic Development Company (TEDC) with a specific commission to create economic initiatives and develop and implement strategies including inward investment, the physical regeneration programme and the tourism strategy
- Development schemes to further improve Torquay harbour area and Torquay town centre
- A regeneration scheme for Brixham harbour area
- A regeneration scheme for Paignton town centre including Oldway redevelopment
- Development of two new work hub facilities at Brixham & Torquay
- Bids have been submitted to deliver a new Innovation Centre supporting the electronics and photonics centre
- Funding obtained to open up Claylands employment site in Paignton

- The Council has tendered opportunities for the development of Torquay Town Hall car park in pursuit of a range of economic benefits
- A new Paignton and Community library/advice centre

Where we need to be

Torbay Council needs to develop the use of assets in a way that delivers:

- A high quality holiday / tourism environment
- Attractive growth and relocation opportunities for new and existing businesses that supports delivery of the inward investment programme, new business and an increase in the business rate base for Torbay
- Business and employment opportunities for young local people to remain in Torbay
- Economic diversity
- Good working partnerships with community, local groups such as Torbay Coast & Countryside Trust (TCCT) voluntary and private sectors
- Improved retail environment
- Realistic opportunities for asset transfer
- The right infrastructure for growth in the marine and maritime sectors
- To aggressively bring forward serviced employment land for future development to support the opening of the South Devon Link Road
- Work continues with key projects within the Employment and Regeneration programme to produce suitable development schemes e.g. additional workspace for new and growing businesses and the identification of other sites appropriate for business growth such as Torquay Gateway and at Whiterock, Paignton; better sports facilities at Clennon Valley, Paignton; Palm Court redevelopment, Oldway and facilitating a new supermarket into Brixham Town Centre and producing suitable development schemes for the Town Centres / harbour areas
- Ensuring maximum funding is secured from all possible public sector sources
- The aspiration of undertaking capital schemes which create jobs and/or generate income should be strengthened and consideration given to the further diversification of the Council’s portfolio to meet these aims
- The Council will consider purchasing properties for investment purposes

Issues

- There is a need to continue linkages and communication through the commissioned services to ensure a coordinated approach to development opportunities
- Disposal process needs to be co-ordinated with the economic development strategy
- The ongoing financial pressures facing the Council
- Reduced funding pots

Action Plan

Action	Target Date	Responsibility	Current Status
Establish regular dialogue between services and TEDC	Immediate	CPO / TEDC	Ongoing process
Develop planning application for Claylands site in Paignton for commercial use	2016	Council / TEDC / Private Sector	Ongoing

Work with local groups such as TCCT to help redevelop local assets for the benefit of the community	Ongoing	Torbay Council / TEDC	Ongoing
Seek funding for Electronics & Photonics Innovation Centre	2016	TEDC	Ongoing

Risks

There is a high risk that without these actions, the economy of Torbay will decline and hinder delivery of the Council's Strategy.

That employment land designated elsewhere will be land banked or not developed quickly enough to respond to growth needs within the local economy.

Benefits

The proposed strategy will deliver:
- Assets that benefit economic growth wherever possible
- Partnership approaches to regeneration and development schemes
- Additional receipts to fund Corporate objectives
- Increased business rate income for the Council
- A direct benefit to the Corporate Plan
- Improved Heritage Assets

6.5 Repair and Maintenance

Where we are now

Torbay Council has a significant and serious issue regarding the disrepair of assets in common with many other local authorities. Backlog repairs totalling £22 million (excluding schools and leased out assets where Torbay Council have no responsibility for repairs and maintenance) have currently been identified of which almost £9.2 million (excluding schools and leased out assets where Torbay Council have no responsibility for repairs and maintenance) are categorised as urgent (Priority 1). Expenditure on repairs totalled almost £1.6 million during 2014 to 2015 and the backlog will not be eradicated without additional activity. In excess of £10 million of additional areas of capital expenditure have been identified over the last 5 years. This is as a result of the improved data collected and as a result of TOAD becoming more comprehensive and areas such as piers and multi storey car parks amongst others being further investigated. This is not necessarily new repairs but repairs that have been outstanding for a long period of time and have now been formally identified and assessed. Repairs and maintenance on Council schools are funded by a specific government grant.

Estimated backlog value presently excludes costs relating to major repairs at Torre Abbey (Phase 3), Sea Defences, some promenades and decorative lighting.

Actions to date

The Council continues to implement a repair programme to address disrepair that has succeeded in sustaining assets in a condition that has enabled continued service delivery. The following actions have been implemented for non schools:

- Expenditure is prioritised through an assessment system managed through Council R&M Review meetings
- A repair and maintenance programme is developed which prioritises works by condition grading and priority level. This is developed in consultation with relevant service heads and is monitored at Council R&M Review meetings
- A rolling record of outstanding repairs is updated by condition surveys carried out by the TEDC Property Services Team and TEDC Structural Engineers when required. The data is kept within TOAD
- The repair and maintenance budget and responsibility for expenditure has been centralised within the TEDC Asset Management Team
- A five year rolling Condition Survey programme is underway
- A move to a 70:30 split between planned and reactive maintenance
- When condition surveys have been completed, notification is sent to the building asset manager

Where we need to be

Torbay Council needs to continue implementing repair programmes and developing strategies to deliver:

- Year on year reduction in backlog repairs that will ultimately remedy the backlog
- A reduction in Category D /Priority 1 repairs by 2018
- Comprehensive and accurate data defining the current condition of all assets and data management to track all works
- Integration of schools maintenance programme
- A move to life cycle costing and the development of a long term planned maintenance programme
- In some instances there is no prospect of sufficient funding being made available to repair an asset. Solutions need to be developed linking to regeneration or asset rationalisation or private sector investment need to be considered, including the use of Prudential borrowing

Issues

- Based on current levels of R&M expenditure the overall backlog is increasing to such an extent that the Council's planned expenditure is not currently keeping place with inflation and whilst the overall backlog continues to deteriorate, some individual assets are deteriorating beyond repair
- The Council's total central Repairs and Maintenance expenditure for 2014-15 (including schools) represents 1.35% of the Council's net budget
- A budget increase is required if there is to be any meaningful progress in reducing backlog repairs
- Significant issues have been identified with areas such as Multi Storey Car Parks and piers amongst others
- In some instances other services are unilaterally commissioning repairs and maintenance. Further service consolidation should improve efficiency and reduce overheads
- Data management has been significantly improved and is a very useful and integral management tool in the effective management of R&M

Action Plan

Action	Target Date	Responsibility	Current Status
Develop and fully Utilise Planned Maintenance Data	Ongoing	CPO / TEDC	Ongoing
Maintain rolling programme for Condition Surveys	Achieved	CPO / TEDC	Achieved and Ongoing
Maintain the rolling programme of prioritised R&M	Ongoing	CPO / TEDC	Achieved and Ongoing

Risk

Whilst there is no immediate risk of failure of any particular asset there is a high risk that without these additional actions the current poor condition of assets will continue to deteriorate.

Benefits

The proposed strategy will deliver:

- A continual improvement in the condition of assets and service delivery
- Improved data and understanding regarding the condition of assets
- Best value for money procurement of remedial works complying with procurement regulations
- Effective project management of major works
- A reduction in the fall in value of assets due to deterioration in condition
- A direct benefit to all the Corporate Plan Key Objectives

6.6 Asbestos/Water Hygiene

Where we are now

Torbay Council has many assets of an age, use and type of construction that results in the presence of asbestos within their construction. A Corporate Policy for Asbestos has been put in place in recognition of that and the need for effective data and control to avoid health risks. The aim of providing up to date and maintainable asbestos registers for all assets has been set and an implementation plan put in place. A Corporate Policy on water hygiene has been prepared. A Water Hygiene monitoring programme has been implemented. A Water Hygiene Risk Assessment of each asset has been completed and remedial works are in progress.

Actions to date

The Council has nominated TEDC Property Services Team to take responsibility for asbestos and the following actions have been implemented:

- A formal Asbestos Policy outlining roles, responsibilities and action plans has been ratified by the Council
- A specific contact point for asbestos has been established
- An external partnership asbestos consultant has been appointed to provide the required level of technical expertise for fully detailed survey work
- A survey programme has been commissioned
- All corporate assets have now received a Type 2 asbestos survey and the reports are available on TOAD

- Assets which have incidences of asbestos containing materials are re-inspected upon an annual basis to check for possible deterioration of the asbestos which may be harmful to occupants and visitors
- Water Hygiene Draft Corporate Policy has been completed
- A Water Hygiene contract commenced in 2008 ensuring that all corporate assets are monitored and maintained to help reduce the risk of an outbreak of Legionnaires disease in line with current legislation. This was retendered and awarded in 2012
- Water Hygiene risk assessments are in place and updated by the responsible building manager when changes occur to the asset water service systems
- Asbestos Report and Water Hygiene Reports have been integrated and made available from TOAD
- Asbestos reports have been made available to Service Heads and explained to building managers

Where we need to be

Torbay Council needs to continue implementing the structured action plan to deliver:

- Awareness of and compliance with the Council's Asbestos and Water Hygiene Policies

Issues

- Continuing the ongoing annual Asbestos inspections are required together with weekly and monthly water hygiene monitoring of assets

Action Plan

Action	Target Date	Responsibility	Current Status
Introduce enhanced control and monitoring to ensure Contractors are aware of Asbestos issues	Immediate	CPO / TEDC	Achieved and Ongoing
Maintain rolling programme of re- inspection	Achieved	CPO / TEDC	Achieved and Ongoing
Introduce a Water Hygiene Monitoring process with an approved contractor	Achieved	CPO / TEDC	Achieved and Ongoing
Update Risk Assessments of water systems when required	Achieved	Building Manager / TEDC	Achieved and Ongoing
Review assets which require Asbestos and Water Hygiene Surveys	March 2016	TEDC	

Risk

There is a high risk that without these actions health and safety regulations will be breached resulting in health risks and the closure of assets.

Benefits

The proposed strategy will deliver:
- Improved data and understanding of assets
- Compliance with statutory requirements and duties of care
- Safe working environments for contractors carrying out works
- A direct benefit to the Corporate Plan

6.7 Energy Management

Where we are now

Torbay Council spend on energy in the financial year 2013/2014 was £1.8 million including schools (but not academies). The Council spend on water 2014/2015 was £501,000.

Effective energy management will continue to reduce consumptions and lower emissions across Torbay Council's Corporate Estate, reducing costs to the tax payer. The reduction of leased in assets by Torbay Council will continue to affect the figures. Torbay Council's Corporate Energy Management Strategy strives to promote the use of energy and water in a way that positively assists Torbay Council in delivering the priorities from the Corporate Plan.

Actions to date

- Torbay Council has recognised the matters of carbon management and associated topics with the production of the Corporate Energy Management Strategy
- A Salix fund of £280,000, part funded by Salix is managed by the Principal Services Engineer. This is to help lower energy consumption.
- LED & Control street lighting has been introduced across Torbay producing a significant reduction in energy consumption
- The Council has recently been awarded a Salix loan of £380k for street lighting

Where we need to be

Torbay Council needs to continue with the implementation of the structured action plan to deliver:
- Consumption reduction of 1% per annum
- Identify and explain the objectives, importance and best practice processes of effective corporate energy management

Action Plan

Action	Target Date	Responsibility	Current Status
Reduce consumption by 1% per annum	Ongoing	Property Services	Ongoing

Risk

The activities that will deliver the year on year targets for the reduction of utilities consumption are set out in the Carbon Management Plan and the Climate Change Strategy. These can only be delivered with the cooperation of all the Council staff, together with top down support and 'buy in' from the Council management structure.

Benefits

The strategy will deliver:
- Reduced energy consumption
- Lower emissions
- Reduced costs

6.8 Office Rationalisation

Where we are now

The Office Rationalisation Project (ORP) is now essentially about relocating staff to reduce the number of buildings that we operate out of and thus lower our ongoing costs e.g. rents, maintenance, heating and energy, etc. and to ensure that all Council owned assets are fully utilised to ensure efficient service delivery.

As the organisation changes and overall staff numbers continue to fall, ORP Board will work with Managers and Executive Heads to support on-going re-structures.

As part of the project, planning and implementation has taken place for the next set of office moves along with some limited aspects of refurbishment. This will support the overall project objective to rationalise the number of buildings the Council operates in.

Actions to date

- Staff fully vacated from Oldway Mansion, Roebuck House and Union House
- Public Health who now fall under Council control have re-located from St Edmunds to Torquay Town Hall
- Lower Ground Floor Torquay Library refurbishments have now been completed and Community Services are located within the same building
- New shower and changing facilities at Torquay Town Hall have opened to support the Authorities Green Travel Plan and additional bike racks
- Created a stand alone Children's Safeguarding hub within 87 Abbey Road
- Returned vacant possession back to the Landlord for Pearl Assurance House and staff relocated
- Returned vacant possession back to the Landlord for Commerce House and staff relocated

Where we need to be

- Further review of project business case in light of the potential change in the Council's office space requirements, as a result of any outcomes from the ongoing Council budget setting process

Action Plan

Action	Target Date	Responsibility	Current Status
Vacate Pearl Assurance House	31st March 2014	ORP Board	Completed
Vacate ground, 1st and 3rd floor of Commerce House	31st August 2014	ORP Board	Completed

Refurbishment of 87 Abbey Road for Safeguarding & CIS teams	January 2014	ORP Board	Completed
Aspen Way - accommodation options	n/a	ORP Board	Completed

Risk

If rigorous action is not pursued on the ORP then the Authority risks continued inefficient use of office space in its buildings and therefore significant savings are not being realised. Managing change needs to be factored in to future moves as staff morale may be lower if office moves coincide with major redundancies or disbursement of existing teams

Benefits

- Efficient use of office accommodation
- Savings generated through the efficient use of office accommodation
- Authority has an office building in Tor Hill House which is an improved asset
- By undertaking some office moves, service transformations can take place to improve service delivery
- Future-proofing all further moves will enable subsequent team or departmental changes or reduction of staff numbers to happen more easily with minimum disruption to overall service delivery

6.9 Data Management

Where we are now

Torbay Council has inherited assets from several sources during development to unitary status in 1998 and has a large and diverse portfolio. Gathering consolidated and maintainable data has therefore proved challenging and underpins progress in many other areas. An option appraisal resulted in the development of the Torbay Online Asset Database (TOAD) being chosen as the best solution.

We are currently looking to procure a replacement system for TOAD which in addition to the current capabilities will incorporate the facilities management helpdesk and the room booking facility.

Actions to date

The Council has achieved significant progress in improving asset data systems and the following actions have been implemented:

- The central register of assets has been reviewed and fully reclassified to reflect the Council's existing structures
- Modules providing valuation, condition, lettings and DDA data have been developed and linked to the TOAD central register
- Facilities for attaching CAD plans, Asbestos Reports, Water Hygiene Reports, location plans and photographs have been developed and linked to the TOAD central register

- Formal protocols have been established for the entry and update of existing categories of data
- An operators manual and training programme has been completed
- The reporting module has been further developed
- Introduction of a new valuation module by Real Asset Management (RAM)
- Integration on RAM of Torbay's Individual Fleet Vehicles and Plant

Examples of TOAD data information screens are attached at Appendix AM-C.

Where we need to be

Torbay Council needs to continue implementing the structured action plan to deliver:

- Asset data that is comprehensive, accurate, maintainable and easily accessible
- Integration of data on Transport Infrastructure Assets including Harbours, Highways and Bridges
- Asset data that can be readily realigned to changes in service delivery and partnering
- Publish asset data on a monthly basis as per the Local Government Transparency Code 2014

Issues

- 2016/17 transport infrastructure assets to be accounted for. Comparison data for 2015/16 will be required

Action Plan

Action	Target Date	Responsibility	Current Status
Complete Training manual and establish training programme	Ongoing	Asset Registrar	Achieved and training is ongoing as required
Continue to update and maintain the asset data	Ongoing	Asset Registrar	Ongoing
Continue to update the linkage between MapInfo & TOAD	Ongoing	Asset Registrar	Ongoing
Inclusion of transport infrastructure assets valuation data on RAM	2016/17	Asset Registrar	
Publish asset data as per the Local Government Transparency Code 2014	February 2015	Head of Asset Management / Asset Registrar	Completed and ongoing on an annual basis
Procure a new asset database solution	March 2017	Head of Asset Management / Asset Registrar	

Risks

There is a risk that without continuing these actions and without support from Commissioned Services asset data will become inaccurate and hard to access hindering effective analysis and decision making. The asset database is an in house system and so there is a risk that staff changes could impact on the system.

Benefits

The proposed strategy will deliver:

- Comprehensive asset data held at one source
- Ease of access to data for all relevant persons
- Asset data in a form that can be updated and maintained as a live and current record
- An enhanced ability to identify specific issues, excessive costs and inefficient use
- An enhanced ability to monitor and report performance
- A direct benefit to all the Corporate Plan Key Objectives

6.10 Community and Shared Use

Where we are now

Torbay Council operates in partnership with many other organisations in delivering services to Torbay. The need for providing integrated services to the community results in shared use providing many advantages. Shared use also enhances the opportunity to use diverse assets in more suitable ways. The need and desire to use assets in a shared way will increase and provide opportunities for resolving other asset issues.

The Quirk Review looked at the clear benefits to local groups owning or managing community assets – such as community centres etc. The review is focused on how to optimise the community benefit to publicly owned assets by considering options for transfer of asset ownership and management to community groups. In response to the Quirk Review the Cabinet approved the Community Asset Transfer (CAT) Policy on 27 May 2008 and the policy was enacted from August 2008. Through the introduction of the Localism Act 2011, Government has reignited local discussion about how Councils can make the most of assets to meet community needs in a challenging financial climate.

A decision was taken at the Council meeting on 15 May 2013 to set up a Community Development Trust (CDT). 2 staff from the Communities Team helped to set-up the company and have now been transferred to the CDT.

The Council has committed £100K per annum for 3 years to support the development of the CDT business plan via a service level agreement (or similar) ("SLA") and delegated to the Executive Head Community Safety in consultation with the Executive Lead Community Safety and Communities the amount of funding to be made available to support the development of the CDT business plan and the content of the SLA.

The intention is that the Council works with the Voluntary and Community Sector ("VCS") to review each party's assets and potential future opportunities for collaboration around these assets.

The Localism Act 2011 requires the Council to consider applications for Community Right to Challenge, the right to express an interest in running a Council service and for the Council under the Community Right to Bid to maintain a list of asset of community value. Community assets need to be nominated as such by a community group. If an asset is listed and then comes up for sale, communities that want it have 6 months to put together a bid to buy it.

Actions to date

The Council is pursuing a number of specific shared use initiatives and has implemented a number of actions as follows:

- Torbay has already been leasing assets to community based organisations for many years
- Invitations continue to be invited from Community Organisations to confirm/make an initial expression of interest in any of the confirmed disposal list of properties
- Torbay worked with the Development Trusts Association (DTA) through their Advancing Assets Programme to ensure best practise is adhered to in the Community Asset Transfer process
- DTA identified a case study community asset transfer in Torbay which they assessed for submission to the Department for Communities and Local Government (DCLG)
- Since the implementation of the Community Asset Transfer Policy, leases of 4 assets have been completed and transferred to community groups
- Currently community interest for the possible transfer of 1 asset
- A policy has been developed relating to the community 'right to bid' for assets of community value following the introduction of the Localism Act
- The Council has explored Asset Based Community Development with the decision taken to create a Community Development Trust
- The Council has reviewed the Community Asset Transfer Policy and has amended it taking into consideration the financial challenges faced by the Authority.

Where we need to be / Issues

Torbay Council needs to develop and implement strategies that deliver:

- Increased numbers of shared facilities both in Council and other ownership by working with other public sector partners
- Uses for existing Council assets that are better suited to purpose
- Closer partnership working relationships
- To work with the VCS through the CDT to review each parties assets and potential future opportunities for collaboration around these assets
- Need to review the effectiveness of the CAT policy and consider whether any changes are appropriate
- Sustainable transfer of assets to interested community groups
- As and when the need arises to have discussions with Brixham Town Council regarding the possible sale of assets in Brixham

Action Plan

Action	**Target Date**	**Responsibility**	**Current Status**
Review the effectiveness of the Community Asset Transfer policy	March 2015	CPO / Estates Manager	Completed
Continue to work with all community groups at stages one and two of the asset transfer process	Ongoing	CPO, Community Asset Support Officer, Asset Panel Members	Ongoing
To work with other Public Sector Partners on a joint way forward to maximise the value of partnership assets and streamline related operational activities	Ongoing	CPO / TEDC	Project is ongoing

To discuss the potential sale of assets within Brixham with the Brixham Town Council	Ongoing	CPO / TEDC	Ongoing

Risks

There is a risk that without these continuing actions opportunities to maximise the potential for shared use will not be delivered. There has to be balance between the sale of assets for profit and transfer for social gain to benefit the community.

There is a risk that the other Public Sector Partners may not be committed to working together to look at the use of assets.

Benefits

The proposed strategy will deliver:
- Enhanced opportunities to identify and deliver shared use facilities
- Development of initiatives in line with Corporate Objectives
- Support local charities and organisations to effectively develop initiatives through the Community Development Trust (CDT)
- The potential transfer of assets to the VCS / CDT and other community organisations such as a potential Sports Trust or a potential Youth Trust could see a reduction in the maintenance backlog

6.11 Tenanted Non Residential Properties

Torbay Council holds a variety of Tenanted Non-Residential Properties (TNRP) on which it has granted either leases or licences to third parties. These assets range from golf clubs, offices, restaurants, industrial sites, Quaywest Water Park to leases to sports clubs and other voluntary sector groups and licences to run donkey ride and ice cream concessions.

There are currently 778 leased assets and licences, which generate income of circa £2.7M per annum. The amount of income per agreement varies greatly with 50 assets generating an annual income in excess of £10,000 each and 55 generating an annual income between £5,000 and £9,999 each. The rest of the agreements are below these figures.

These assets are held either as investments or for service delivery / socio-economic purposes. The definition of investment assets is narrow (Cipfa regulations) with them being defined as assets which are used solely to earn rentals or for capital appreciation or both. For Torbay Council the Chief Accountant has taken the view that, unless there is strong evidence to the contrary, the assumption is that all Council property is linked to a service objective e.g. regeneration, harbour estate, tourism etc. Examples of TNRP held as investment assets include Torquay Golf Club and Unit 3 Riviera Park, Torquay.

Actions to date

- The TEDC continues to manage the TNRP on behalf of service clients to maximise revenue and to minimise costs
- The Council has commissioned condition, asbestos and water hygiene surveys on the TNRP with the tenants having been informed of the outcome

- A TNRP Portfolio Strategy, Review Action Plan and disposal policy have been developed. (See Appendix AM-E)

Where we need to be

Torbay Council needs to implement the Action Plan below to ensure that:

- The justification for holding the TNRP is linked to the corporate goals and service objectives
- The performance of the TNRP is reviewed to determine whether assets should be retained or disposed of

Issues

- To review the performance of the TNRP it is useful to consider 3 fundamental questions:
  - Why are TNRP assets held?
  - How well are they performing in meeting the purposes for which they are held?
  - Are there better ways in which these purposes could be fulfilled?
- Need to determine criteria for measuring performance
- Where held for socio-economic purposes the measurement of performance becomes more challenging as we are dealing with subjective judgements and because there is a need to link these purposes to the corporate goals and service objectives
- Need to consider other policies such as the Shoreline Management Plan to determine the long term options arising from climate change
- Consideration needs to be given to the Council's revenue position. The yield of particular properties to be challenged within the policy
- To review the accounting procedures to ensure that market rent is charged on all assets – even if then an equivalent grant is given to the organisation leasing the asset
- To review the benefits of centralising and then redistributing the revenue income generated from the TNRP

Risks

- Currently each TNRP asset is allocated to a particular service department, which assists with management issues and they receive the income. However this may give rise to a couple of risks when assessing the performance of the TNRP:
  - Depending upon the criteria set for measuring performance the perception from the service departments could be that their properties are performing well to protect their asset base
  - The service department may be reluctant to agree that an under performing TNRP should be disposed of since they would lose the rental income from their revenue budget. Any capital receipt goes into the 'corporate pot' to fund the capital programme and may not necessarily be re-invested in the service department's assets

  Service departments will need to adopt and embrace the overriding corporate approach to asset management in order to mitigate these risks.
- As part of the disposal policy there will be a need to consider the long term aspirations of the Council for the larger assets. For example, it may not be appropriate to dispose of an under-performing café within a park if it may be needed for a comprehensive re-development in the future
- There may be public resistance to the disposal of TNRP

Action Plan

Action	Target Date	Responsibility	Current Status
Implement the Action Plan to review the performance of the TNRP	Ongoing	CPO / TEDC	Due to resource issues the Action Plan (see Appendix AM-E) has not yet been Implemented
To develop a TNRP Disposal Policy	March 2013	CPO / TEDC	Achieved and included in above
To review the benefits of centralising and then redistributing the revenue income generated from the TNRP	October 2016	CPO / Head of Asset Management / Chief Finance Officer	Ongoing
To review the accounting procedures to ensure that market rent is charged on all assets	March 2015	CPO / Head of Asset Management / Chief Finance Officer	Completed

Risk

There is a risk that there will be insufficient resources within the Asset Management Service of the TEDC to take this initiative forward

Benefits

The strategy will bring clarity about why Torbay Council holds Tenanted Non-Residential Properties, which is essential to drive good performance and value for money in terms of investment and/or socio-economic outcome.

Into The Future

The Strategy detailed above will be delivered and monitored by implementing the specific action points detailed. Delivery will be by the Torbay Economic Development Company (TEDC) acting under instruction from the Council and its officers.

It is accepted that the period of delivery may in some instances be long term and will inevitably be influenced by an ongoing and realistic assessment of available resources. However, the plan firmly defines the vision of how the Council will achieve a more effective use of assets and sets a firm commitment to retain the goals and actions until all are complete.

A number of significant achievements have already been secured and into the future there are many issues that are relevant to a successful Corporate Asset Management Plan. There are at this review 2 areas of particular importance:

- The continuing work of the TEDC will continue to create opportunities to make regenerative changes to the built environment and help stimulate the market.

- There may be increasing Government scrutiny of the Asset Management Function and a need to follow closely the asset management guidance that has been issued.

Appendix AM-A

Service Asset Management Plan Template

1.0 Service Background and Outcomes

Brief bullet point summary outlining scope of services and key outcomes expected along with relevant comments from your service strategy.

2.0 Predicted Service Delivery Changes

Brief bullet point summary confirming possible future changes to service delivery, which are likely to have implications for service assets (acquisition, adaptation or disposal), together with likely timescales.

3.0 Scope of Service AMP

Does this SAMP cover all assets under your Business Unit / Service? If not, please confirm which ones and why not.

4.0 Identification of Current Property Portfolio

Provide a comprehensive list of current assets, responsible officers, asset functions and users and provide answers to the following questions:

Is the asset used for direct service delivery?
Is the asset used for indirect service delivery?
Annual running costs (£)
Do you still require this asset for service delivery?

5.0 Preferred Options & Action Plan

For each of the assets identified comment on the current situation, what action if any is required to implement any required changes, the priority rating and the date for review.

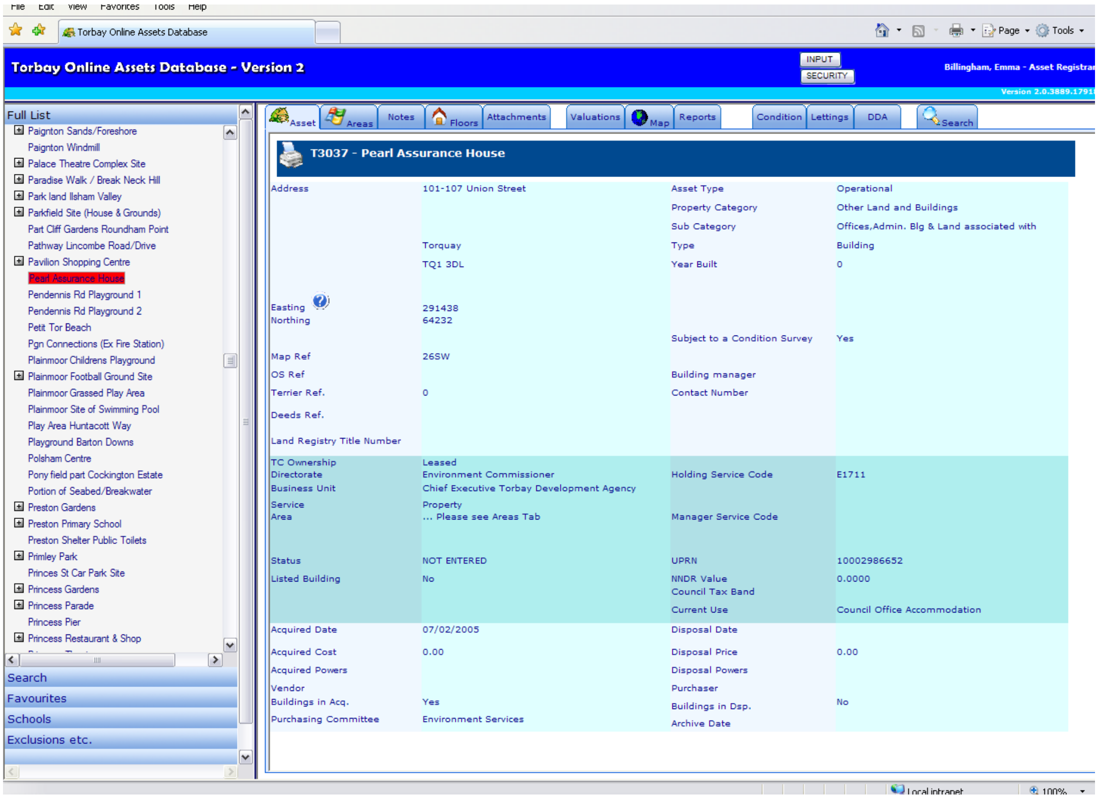
Appendix AM-B

Key Asset Management Performance Indicator Analysis (Including Schools)

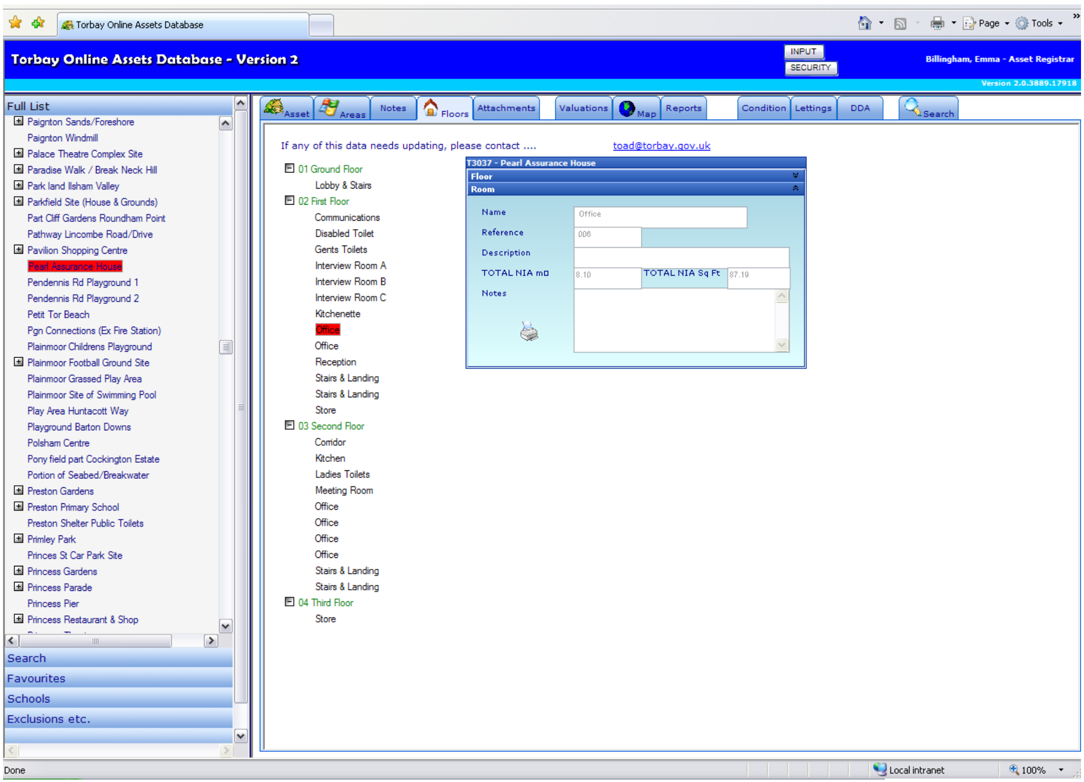
Indicator	Description	Category	2013/14	2014/15	2015/16	2016/17	Comments
			Out-turn	**Out-turn**	**Targets**		
PI1- 1A	% Gross Internal Area (GIA) that falls in each of the Condition Categories (A = Good, D = Bad)	A	**3%**	**4%**	9%	14%	Targets calculated as improvements of 5%. Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 14/15 figures
		B	**45%**	**39%**	44%	49%	
		C	**23%**	**25%**	20%	15%	
		D	**28%**	**31%**	26%	21%	
PI2- 1Bi	Total Value of Backlog of Work (1 = Urgent, 3 = Desirable)	Priority 1 Priority 2 Priority 3	**£9,631,627** **£6,713,477** **£6,019,197**	**£9,265,992** **£7,493,342** **£4,932,528**	5% reduction		Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 14/15 figures
PI3- 1Bii	Required Maintenance Cost as a % in Levels 1-3 (1 = Urgent, 3 = Desirable)	Operational 1	**43%**	**43%**	38%	33%	Targets calculated as improvements of 5%. Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 14/15 figures
		Operational 2	**30%**	**35%**	30%	25%	
		Operational 3	**27%**	**23%**	32%	42%	
PI4A- 1Dii	Repair & Maintenance spend per m2		**£12.43**	**£13.00**	£13.65	£14.33	Targets based on 5% increase. Academy Schools have been removed which has impacted on the m2
PI4B- 2A	Energy cost per m2		**£8.74**	**£6.35**	£6.03	£5.73	Targets based on 5% reduction
PI4C- 2B	Water costs per m2		**£3.44**	**£4.24**	£4.03	£3.83	Targets based on 5% reduction. Water spend has increased, this is due to rising prices
PI4D- 2C	CO2 emissions per m2 in tonnes		**0.041**	**0.029**	0.028	0.026	Targets based on 5% reduction
PI5 – 3Ci	% of properties where a suitability survey has been carried out within the last 5 years that are graded good or satisfactory		**94%**	**94%**	95%	96%	
PI6- 4 BV156	% of public buildings which are DDA compliant		**63%**	**63%**	67%	67%	The Office Rationalisation Project has led to an increase in this indicator

These figures exclude leased out assets where repair and maintenance responsibility sits with the tenant.

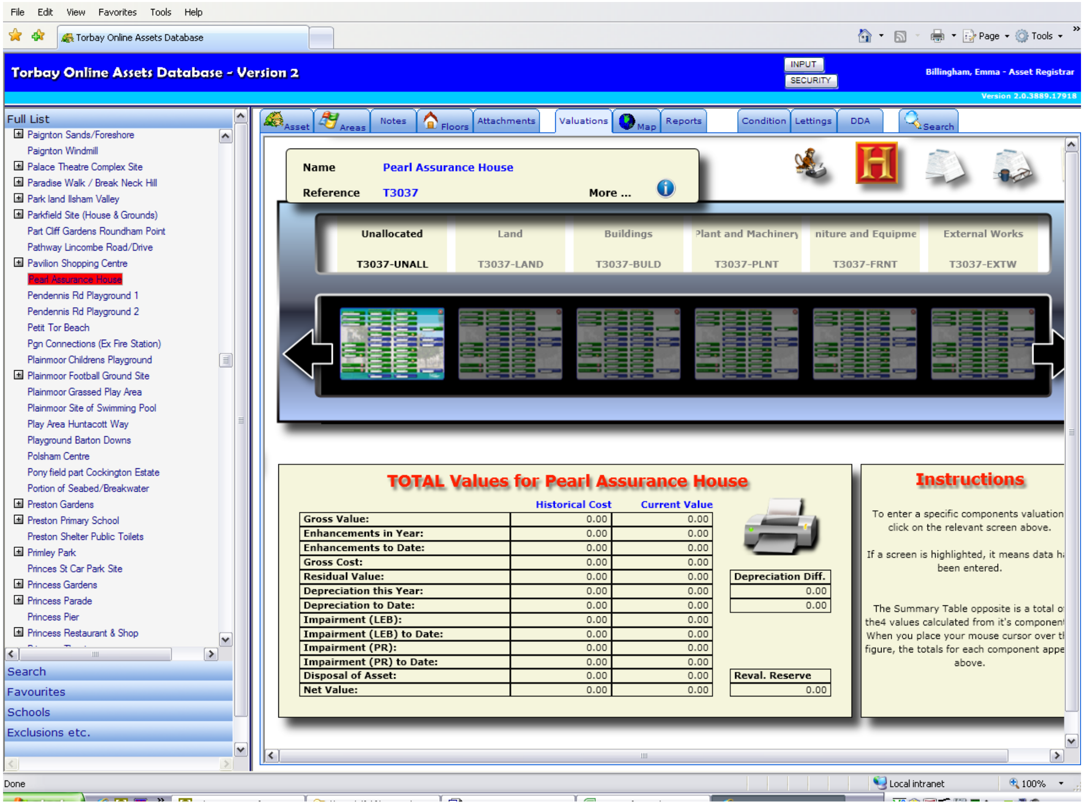
Core Asset Data Tab



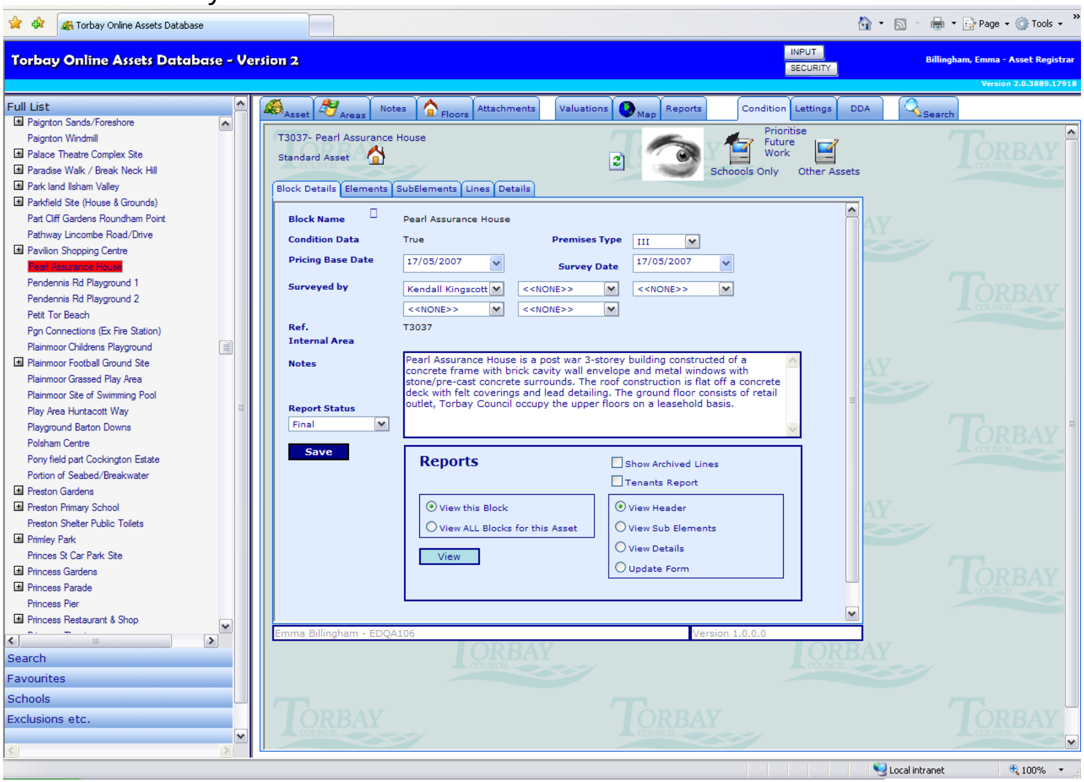
Floors Tab



Valuations Module



Condition Survey Module



APPENDIX AM-D

Summary Property Strategy Action Plan (PSAP)

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	**Description of each specific action that will deliver the objective**	**Description of the specific change or goal that each action should produce**	**Description of the benefits that each action will deliver to service delivery groups and residents of Torbay**	**Description of the Officers taking ownership of delivery of each action**	**Description of the key teams upon which delivery of each action is dependent**	**Description of the hard and measurable outputs that each action must produce**	**Date deadline for target delivery**	**Description of how progress and performance will be assessed for each action**
	Suitable Assets Aligned to Service Delivery	Service Asset Management Plans	All Business Units or Services to have five year plans for continued use of assets	Planned and more efficient use of assets producing improved service delivery	CPO	CPO, Asset Registrar, Service Asset Representatives	Completion of all SAMPs and development of 5 year corporate plan. To be reviewed yearly.	Ongoing	Reviewed in CAMP yearly update
		Implementation of Service Asset Suitability Reviews	Asset use reviews completed for all services as part of SAMP process	Planned and more efficient use of assets producing improved service delivery	CPO	CPO, Asset Registrar, Service Asset Representatives	Completion of all surveys and development of 5 year plan	Ongoing	Reviewed in CAMP yearly update
		Implementation of specific DDA improvement works arising from survey work	Completion of identified physical improvement projects	Improved accessibility to the public	CPO	Property Services Group	Completion of projects within agreed timescales	Annual	Reviewed in CAMP yearly update – currently on hold because the budget for DDA works has been removed

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	**Description of each specific action that will deliver the objective**	**Description of the specific change or goal that each action should produce**	**Description of the benefits that each action will deliver to service delivery groups and residents of Torbay**	**Description of the Officers taking ownership of delivery of each action**	**Description of the key teams upon which delivery of each action is dependent**	**Description of the hard and measurable outputs that each action must produce**	**Date deadline for target delivery**	**Description of how progress and performance will be assessed for each action**
	Effective Repair and Maintenance	Implementation of reorganised R&M delivery process	Reduction of backlog maintenance	Improved service delivery from assets that are fit for use and publicly acceptable	CPO	Client Liaison Meetings, CPO, Finance, Service Asset Representatives	Delivery of 4+ year rolling programme and elimination of category D and C1 works within 5 years	Ongoing	Delivery report included in CAMP yearly update
		Implementation of five yearly rolling programme of condition surveys	All properties to have a condition survey within last five years	Improved understanding of condition and improved targeting of repair resources	CPO	Client Liaison Meetings, CPO, Finance, Property Services Group	100% completion rate	Ongoing	Delivery report included in CAMP yearly update
		Completion of Asbestos Surveys	Complete asbestos register in place	Healthy and safe working environment and easy delivery of improvement & development works	CPO	Property Services Group	Completion of Asbestos Surveys & re-inspections	Ongoing	Delivery report included in CAMP yearly update
		Rolling review of non service & investment assets	Establish a clear policy for non service & investment assets	Planned development of these assets will maximise returns to fund Council Priorities	CPO, TEDC Business Manager, Head of Asset Management	Service Asset Representatives	To be undertaken annually	Ongoing	Report included in CAMP yearly update

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	**Description of each specific action that will deliver the objective**	**Description of the specific change or goal that each action should produce**	**Description of the benefits that each action will deliver to service delivery groups and residents of Torbay**	**Description of the Officers taking ownership of delivery of each action**	**Description of the key teams upon which delivery of each action is dependent**	**Description of the hard and measurable outputs that each action must produce**	**Date deadline for target delivery**	**Description of how progress and performance will be assessed for each action**
	Economic Regeneration	Managed workspace and business incubation	Enhanced support for local Business with particular emphasis on the needs of start up companies	Improved economic performance and increased survival rate for start up businesses	TEDC commission	Regeneration	Funding Bids prepared project due for completion subject	Ongoing	Joint Operations Policy Development Group
		Employment and Regeneration programme	Circa £300m of regeneration development with circa 2000 jobs	Improve economic performance and GVA	TEDC commission (TEDC Programme Manager)	Regeneration, Asset Management, Planning, Legal advisors, Procurement	Completion of various projects within the programme	Ongoing 20 year programme	Joint Operations Policy Development Group
	Integrated Disposals Programme	Implementation of an accelerated disposal programme	The disposal of appropriate Council owned sites for developments including affordable housing	Rationalisation of Property portfolio Reduced maintenance costs Increased capital programme Increased access to affordable housing	CPO, Service Heads	Strategic Land Task Group, CPO, Disposals Officer, Planning Service, Finance	Identified sites sold	Ongoing	Monitoring at Strategic Land Task Group Meetings. Delivery report included in CAMP yearly update

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	**Description of each specific action that will deliver the objective**	**Description of the specific change or goal that each action should produce**	**Description of the benefits that each action will deliver to service delivery groups and residents of Torbay**	**Description of the Officers taking ownership of delivery of each action**	**Description of the key teams upon which delivery of each action is dependent**	**Description of the hard and measurable outputs that each action must produce**	**Date deadline for target delivery**	**Description of how progress and performance will be assessed for each action**
	Effective Use and Rationalisation of Administrative Buildings	Office Rationalisation Project	Consolidation of Office Accommodation as part of project	Improved efficiency and service delivery and cost savings	ORP Board		Refurbished Offices	Ongoing	Project Team
	Improved Data Management	Development of update protocols for live data modules	Defined operating processes in place that can be monitored and audited	Accurate information available to enable informed and transparent decision making, improved prioritisation and more effective action planning	CPO, Asset Registrar	IT, Finance, Service Asset Representatives	Data fields in TOAD completed and verified	Ongoing	Delivery report included in CAMP yearly update
		Development of user manual	Defined operating and user instructions in place and available to all officers	Accurate information available to enable informed and transparent decision making, improved prioritisation and more effective action planning	CPO, Asset Registrar	IT, Finance, Service Asset Representatives	User Manual complete	Completed and updated when amendments are made	Delivery report included in CAMP yearly update

APPENDIX AM-E

TENANTED NON-RESIDENTIAL PROPERTY PORTFOLIO STRATEGY AND REVIEW ACTION PLAN

Background

Torbay Council (the ‘Authority’) holds a variety of Tenanted Non-Residential Properties (TNRP). They are held either as investments or for service delivery / socio-economic purposes.

The Audit Commission ‘Room for Improvement’ report said that authorities should ‘review property holdings and reduce them where possible by identifying and disposing of surplus and under-utilised properties’.

In the past this has only proactively happened for the Authority’s non-tenanted land and buildings but in the 2011 Corporate Asset Management Plan it was mentioned that the Authority would develop a strategy for reviewing the TNRP portfolio. As well as looking at possible disposals it is also important to maximise income and possibly expand / change the portfolio to suit the Authority’s strategic objectives.

To review the performance of the TNRP it is useful to consider 3 fundamental questions

- Why are TNRP assets held?
- How well are they performing in meeting the purposes for which they are held?
- Are there better ways in which these purposes could be fulfilled?

The Royal Institution of Chartered Surveyors (RICS) has published a number of leaflets on local Authority asset management with one covering TNRP assets let to third parties (other than housing stock).

In accordance with this leaflet, which focused on the key priorities in the management of TNRP in the local government arena, the Association of Chief Estates Surveyors (ACES) Commercial Asset Management Working Group developed a ‘Model TNRP Strategy and Review Action Plan’. The plan is based upon this model.

The RICS leaflet states that if there is not clarity about why TNRP is to be retained, it should be disposed of, on the best terms that may reasonably be obtained.

With regards to assets that contribute to socio-economic benefits the RICS leaflet says that ‘measurement of performance becomes more challenging, as we are dealing much more with subjective judgments and because we need to ensure that the socio-economic purposes are directly linked to corporate goals and objectives’. The ‘model’ suggests a simple three tier ranking approach to assess the socio-economic benefits – high, medium and low.

TNRP STRATEGY AND REVIEW ACTION PLAN

1) ROLE OF THE TNRP PORTFOLIO TO THE AUTHORITY

- Financial investment by producing income used to offset the revenue costs of direct and indirect services thus reducing the impact on the Council tax; and capital receipts to support the capital programme.
- Socio-economic by supporting the wider corporate objectives of the Authority through strategic influence, control and occupational use.

2) LEADERSHIP AND ACCOUNTABILITY

Driving improvement in the performance of the TNRP is a continual and demanding process. Circumstances often change before optimum performance is achieved. Leadership is important in:

- Developing and promoting a strategy for the TNRP;
- Generating corporate interest in, and awareness of, the gains to be had from improved performance;
- Engendering support and commitment within the organisation;
- Addressing the business case for TNRP, together with the supporting action plan; and
- Ensuring the efficient and effective pursuit of agreed TNRP management strategies.

There are important roles in TNRP management and these are illustrated in the table below.

Role	Responsibilities
Elected Members	Executive Leads - providing commitment to TNRP strategic aims and setting key required corporate objectives / outcomes; Scrutiny – ensuring TNRP performance is kept under review
Chief Operating & Finance Officer and Directors	Supporting and monitoring the TNRP Action Plan; Ensuring sufficient resources are available to effectively manage the Strategy and Action Plan.
Corporate Property Officer and Executive Heads	Linking TNRP to corporate goals and objectives; Managing TNRP in accordance with the Strategy and Action Plan

3) BRIEF DESCRIPTION OF THE PORTFOLIO

The TNRP portfolio has been accumulated over many years. Some of the properties used to perform functions / services done directly by the Authority but are now let to third parties to perform that function on behalf of the Authority. For example, beach / park cafes and the Torbay Leisure Centre.

Other tenanted properties were initially acquired for other purposes. For example, the Authority holds 2 residential houses at Tweenaway Cross, which were acquired by

Devon County Council (and transferred to the Authority when it obtained unitary status) in conjunction with the potential road improvement scheme. Whilst the scheme was being progressed these properties were let to a Housing Association.

Other land & properties were let to support regeneration and economic development schemes to support and provide accommodation for small to medium size enterprises.

There are currently 774 leases and licences, which generate income of circa £2.7M per annum. The amount of income per agreement varies greatly with 48 assets generating an annual income in excess of £10,000 each and 56 generating an annual income between £5,000 and £9,999 each. The rest of the agreements are below these figures.

The Authority has granted a number of long term leaseholds in exchange for a capital receipt. For example, in July 2007 a 125-year lease at a peppercorn rent was granted to Apollo Cinemas Ltd for a premium of £1.2M.

A detailed breakdown showing categories of lettings and general management policies is given in section 7 below.

4) STRATEGY AIM

To move from the historic legacy to a more balanced sustainable portfolio to meet the future financial and corporate objective needs of the Authority within 5 years.

5) STRATEGIC OBJECTIVES

To:-

- optimise the financial return, both revenue and capital growth.
- support the wider corporate priorities, in particular social and physical regeneration, economic development and safeguarding strategic influence, control and future development opportunities.

6) MANAGEMENT POLICY

Financial

The portfolio will be managed to:-

- Primarily generate income.
- Charge full market rents, unless a specific policy exists to determine otherwise.
- Carry out timely lease renewals and rent reviews.
- Maximise occupancy through appropriate marketing.
- Minimise rent arrears through timely intervention.
- Subject to finance being available, undertake planned maintenance based on condition surveys in accordance with the Council’s obligations under the terms of the lease and to ensure that tenants are aware of their own repairing obligations.
- To endeavour that, if appropriate, all properties have up to date asbestos and water hygiene surveys and to have up-to-date electricity and gas safety and energy performance certificates.

- Where appropriate, improve performance through securing grant assistance, using property as match funding and working in partnership with the private/voluntary sector.
- Measure and improve the performance through the use of appropriate 'performance indicators'.

Socio-economic to support corporate objectives

To

- use the portfolio 'strategically' to safeguard, control and promote the use of land for purposes supporting the corporate objectives through the 'occupational use' of property.
- measure and monitor the 'socio-economic benefits' through a simple and clear ranking system.

7) PROPERTY ASSET CATEGORIES AND GENERAL MANAGEMENT POLICIES

1) Investment Assets

Assets which are held solely to earn rentals or for capital appreciation or both. To review the financial returns and, if considered poor, then, unless needed for a future redevelopment scheme, the presumption would be to dispose either to the tenant or on the market.

2) Assets Held for Socio-Economic Reasons.

2a) Leases held on a peppercorn rent

Let to occupiers generally with community based relevance i.e. community centres, voluntary sector or allotments, which indirectly support corporate objectives. Leases be retained but be subject to review every 3 years.

Where a peppercorn is payable as a result of the Authority receiving a premium for a long lease, then consideration be given to the reasons why a long lease was granted rather than a freehold disposal.

2b) Leases let on market rent but tenants receive a grant

A number of leases are let to the voluntary sector & community groups at market rent but some tenants receive a grant to help off-set the rent. Presumption to retain ownership to support the voluntary sector / community group but will undertake a review to assess condition, suitability and sufficiency; identify opportunities to lever in external/grant investment; and to assess to what extent each voluntary body contributes to the Council's objectives – if not, is the grant still appropriate (and at what level?) or should the asset be sold?

2c) Commercial leases granted for service delivery

Commercial leases of parts of operational assets such as kiosks/cafes in parks or the leisure centre. Presumption to retain and actively manage to generate revenue to support service delivery but review periodically with the service department.

2d) Leases granted at a peppercorn rent for service delivery under a contract

A number of leases have been granted to organisations who have been commissioned to provide a particular service on behalf of the Authority. For example, land & buildings have been leased to the Torbay Care Trust, Torbay Coast & Countryside Trust and TOR2. The presumption is to retain ownership for the duration of the service contract.

2e) Leases – Public Utilities and Other land and property

Sites leased for electricity sub and gas governor stations which generally produce a low level of income. Other examples include telephone masts situated on multi-storey car parks or land in high locations. To identify opportunities for rationalisation / disposal or additional income generation unless such action may be prejudicial, for instance in terms of potential redevelopment.

2f) Properties let to Registered Social Landlord (RSL) under business tenancies

A number of properties are let to a RSL whilst they are being held for another purpose e.g. highway scheme. The presumption is to retain whilst needed for the scheme but review periodically with the service department.

2g) Community Asset Transfer Leases

A number of leases have been granted to community groups through the Community Asset Transfer process for land previously declared surplus by the Authority. Presumption to retain ownership for duration of the lease.

2h) Licences

The Authority has granted a number of licences for people to operate on its land. For example, donkey rides on Paignton Green and ice cream concessions at Kilmorie Car Park, Galmpton and Daddyhole Plain.

The presumption will be to continue to offer such licences unless they become too intensive in terms of management time and/or the service department considers they no longer want the service to continue.

N.B. Licences have been included in the above list but, since they do not form an interest in land then they cannot be sold. If they are considered no longer needed for service delivery then the licence will not be re-advertised on expiry.

8) CONDITION SURVEYS

Surveys of the TNRP are undertaken on a 5-yearly rolling programme for those properties for which the Authority has some repairing liability to identify outstanding repairs which are the responsibility of either the Authority or the tenant or both.

9) DISPOSAL POLICY

Assets that do not meet the performance test and that are identified for disposal may be disposed of in accordance with the Authority's disposal procedure. Consideration will also be given to the sale of properties that are on the performance margin and where the capital receipts generated could be better deployed.

Disposals will also be discussed with the Chief Finance Officer and Executive Head of Business Services and a programme agreed as appropriate to support the Authority's revenue budget and capital programme needs.

Each disposal to be considered on its merits but consideration may be given to re-invest all, or a proportion of the sale proceeds in the service department.

10) ACQUISITIONS POLICY

Consideration shall be given to the acquisition of appropriate properties to improve the performance of the portfolio (i.e. adjacent to existing ownership or leasehold interest where the Authority owns a freehold reversionary interest and in both cases will benefit from the marriage value, property to support regeneration) and to achieve a more balanced portfolio, in both financial and socio-economic terms.

Funding will be from capital receipts from assets sold out of the TNRP portfolio or prudential borrowing if the annual rents from the property to be acquired exceed the annual financing cost (i.e. occupational lease where the Authority own freehold).

11) OTHER POLICIES

When assessing the socio-economic reasons for holding onto the TRNP the service department will need to consider whether there are any policies within their service area, which may influence / dictate the suitability of retaining the TNRP e.g. Shoreline Management Plan.

12) BENEFITS

The aim of this strategy and following the review action plan is that:-

- Capital receipts are achieved with minimum impact to income.
- Review will be flexible and allows time to be developed to reflect views of stakeholders and accommodate any political/economic changes during the review period.
- Ultimately better assets are retained as investments.
- Reasons for holding assets are identified by specific purposes.
- Socio-economic outputs are fully identified, considered and linked to corporate objectives.
- Key priorities for improved management, use of resources and performance are identified and can be planned.
- Future targets and timescales can be set.

REVIEW ACTION PLAN

Purpose – To carry out a review to demonstrate the value for money in continuing to hold the TNRP portfolio – the Performance Test

Subject to sufficient resources being identified, to undertake the review in three stages as follows:-

STAGE 1 – Identify quick wins

A 'Quick and Dirty' exercise to identify obvious assets for disposal and further review by allocating them to the categories set out in section 7 of the TNRP strategy, and applying the general management policies set out therein.

STAGE 2 – Analyse why properties are held

Identify pure 'investment' and 'socio-economic' properties that also support the wider corporate objectives assets.

Where assets support wider corporate objectives identify and analyse, together with appropriate stakeholders including Executive Leads, Executive Heads, the Corporate Property Officer and the Strategic Land Task Group. Evaluate their socio-economic benefits and rank each asset as follows:-

> **High** –critical or major contribution as identified by the Authority e.g. a key regeneration site or property occupied by a community group supported and partly funded by the Authority. If asset disposed of ultimately to support socio-economic benefit, such as to kick start a major regeneration scheme or meet an approved high priority Authority objective, then may consider a disposal at less than the best price, so long as sale price plus value of the benefits at least equals best price that could have been obtained – review periodically but presume retain ownership regardless of financial return.
> **Medium** - important contribution – i.e. located in a key regeneration area or occupied by a community group supported but not funded by the Authority - review periodically the importance of the socio/economic role and financial performance.
> **Low –** minor or insignificant contribution – i.e. located on edge of regeneration area so retention to support scheme not essential e.g. property, which is difficult to let and run down, or property that happens to be occupied by a community group but not one that Authority particularly supports or that has no linkages to corporate objectives - review frequently and consider disposal if financial performance poor.

Measure the performance of all assets on the basis of the 'internal rate of return' (IRR).

The IRR is the discounted rate that generates a zero net present value for a series of cash flows using discounted cash flow processes. It is important that all costs and benefits are included in the assessment and, not least, management costs. In simple terms it is a method of measuring both potential revenue and capital growth over a given period – the 'time weighted return'. Most authorities adopt a 10 year term.

Also measure performance annually in the future by reference to the following performance indicators:-

- % management costs against gross revenue
- Assets remaining void for greater than 6 months in a year

Set annual targets based on the previous year's performance.

Agree a target rate of return with the Chief Finance Officer. Any assets not meeting this target consider for disposal.

Subject those assets identified for disposal to further tests as follows:-

- Does the legal tenure and/or statutory constraints preclude disposal?
- Would a disposal require the repayment of grant monies?
- Is it a strategic property to be held to control and/or facilitate future development opportunities or service delivery?
- Does the property contribute to corporate objectives through socio-economic benefits?
- Could the property meet identified future operational needs, or with partners' co-locational requirements?
- Are there any redevelopment or other income or capital generating opportunities i.e. redevelopment site, special purchaser, marriage value, ransom strip, over sailing rights, release of covenants?
- Could the financial performance be significantly increased through minor investment?
- Are there any other opportunities?

If answer no to all tests – Dispose. Otherwise further analyse the benefits of retention and actively manage. But also ask the question: can the capital achieved from the disposal be more effectively used than owning the asset?

Future disposals programme

Offer pure investment assets for disposal where they do not meet the target IRR agreed when and as necessary with the Chief Finance Officer and Executive Head of Business Services. Base the target IRR, known as the 'hurdle rate of return', on the Authority's alternative investment options – the opportunity cost.

Assets that have socio-economic benefits offer for disposal if they are ranked as:-

- 'Low' and fail to meet the target IRR.
- 'Medium' and significantly fail to meet the target IRR.
- 'High' and are being disposed of to meet a high priority Authority objective.

As the assessment of socio-economic benefits is a subjective exercise support a proposal to dispose with an option appraisal where appropriate.

STAGE 3

Stand back and look periodically through the process as more data is collected, analysed and recorded, to see whether the desired outcomes and objectives are being achieved.

On completion of stage 3, use the comprehensive data on property categories, financial and other performance, range and scale of contribution of the TNRP to socio-economic benefits, to assess to what extent the aim has or will be achieved.

Has, or will the process ultimately, through identifying assets for disposal, further investment and perhaps purchase, achieve a more balanced and better aligned TNRP portfolio, both in terms of financial and socio-economic strategic objectives? If not then consider further appropriate review and rationalisation.

During the whole review period hold regular discussions with the Chief Finance Officer and Executive Head of Business Services to advise on the relative benefits and risks associated with the TNRP to achieve the strategic aim and objectives for the TNRP portfolio.

The balance of the portfolio may change over time as it will be determined in particular by the financial position - need for revenue v capital, level of risk the Authority is prepared to take, and to what extent it wishes to use the TNRP to drive non-financial objectives e.g. to kick start regeneration.

APPENDIX AM-F

DRAFT
TORBAY COUNCIL

COMMUNITY ASSET TRANSFER POLICY – Update December 2015

INTRODUCTION

The Community Asset Transfer (CAT) Policy does not include Community Right to Challenge (the right to express an interest in running a Local Authority service) or Community Right to Bid (maintaining a list of assets of community value). These are covered by separate policies and more information can be found on the Council's website.

The Local Government White Paper, 'Strong and Prosperous Communities' (2006), sets out a new relationship between local government and its communities. The reforms contained in this paper will give greater say over local services to the people who rely on them. This will enlist communities in the drive to improve services, from waste to parks and libraries. Torbay Council has embraced this agenda by giving local people more say on how services are delivered through vehicles such as the Torbay Community Development Trust and local community partnerships.

In the same spirit, the 'Making Assets Work, Quirk Review' (community management and ownership of public assets) sets out the clear benefits to local groups which own or manage public assets – such as community centres, building preservation trusts and community business enterprises. Fundamentally, the review talks about giving local people a bigger stake in the future of their area through this model. The Department of Communities and Local Government, in its response to the recommendations in the review, supports the need to 'monitor effectiveness of mechanisms in persuading local authorities to consider transferring management or ownership of assets to communities'. There are already powers in place through the Public Request to Order Disposal (PROD), whereby communities can prompt a local authority to give serious consideration to the community management of assets. This was strengthened by the Community Call for Action which came into force in spring 2008.

Through the introduction of the Localism Act 2011, Government has reignited local discussion about how Councils can make the most of assets to meet community needs in a challenging financial climate. Torbay Council is responding to this by considering options for the transfer of asset through leases and operational management to the community, for purposes that benefit the communities they serve. This can range from small parks groups to established voluntary sector organisations. Community 'benefit' is seen as varied, with a range of activity from local meeting places, such as community centres, to social enterprise businesses offering new employment or training opportunities.

School disposals are covered by a legislative framework. Any disposal would first need approval under Section 77 of Schools Standards and Framework Act 1998. Therefore, school buildings and landholding will not be considered under this policy.

The Council needs to dispose of some underused or surplus assets, which can no longer be afforded, whilst, at the same time, investing in urgent infrastructure projects across Torbay. However due to the financial constraints facing the Council, priority shall be given to maximising the full market receipt of any disposals. The Council recognises there needs to be a balance of sales of assets to maximise investment, and to regenerate communities through alternative uses.

This Community Asset Transfer Policy identifies a level of market value when a particular asset shall be considered for community transfer and how local communities could register an interest in taking over a Council owned property. This option would still need to be assessed against sale, or alternative disposal opportunities, in each case, and should be closely linked to the Corporate Plan.

Strategic Context

The Corporate Plan has identified 'a prosperous Torbay' and 'a healthy Torbay as its key ambitions and, therefore, the policy should reflect this as the main driver.

The delivery of the outcomes of this policy, therefore, need to be aligned with the five targeted actions and three principles represented in the Corporate Plan:

Targeted actions:

- Protecting all children and giving them the best start in life
- Working towards a more prosperous Torbay
- Promoting healthy lifestyles across Torbay
- Ensuring Torbay remains an attractive and safe place to live and visit
- Protecting and supporting vulnerable adults

Principles:

- Use reducing resources to best effect
- Reduce demand through prevention and innovation
- Integrated and joined up approach

The strategic fit of any asset transfer proposal would need to achieve one or more of these goals.

Rationalisation of Assets

The Council continues to undertake a review of its assets through an ongoing rationalisation programme. This is being considered in association with the new commissioning model on how the Council will deliver its services in the future.

As part of this process, the Council, through the Strategic Land Task Group, will identify buildings and land holdings which are no longer required for the delivery of its services. In this instance, a building or land holding will then become 'surplus' and be put forward to the Executive or Council (as appropriate) for potential disposal. At this stage, assets with a market value below £25,000 will be given an indication as to the likelihood that this could be considered for Community Asset Transfer. Assets of a market value above £25,000 can still be considered for Community Asset Transfer if it links with the Council's targeted actions and principles, within the Corporate Plan and is approved by the Strategic Land Task Group. Once on the disposal list, community, voluntary and other agency sectors could apply to the Council for transfer of these assets for alternative community uses. This would still be considered alongside the need to capitalise receipts of any assets to deliver the Council's prioritised Capital Programme. The proposed criteria for transfer of an asset below the market value would need to be measured against the likely other uses if sold on the open market.

Under the current policy, assets or land holding are rarely sold as a freehold interest, and it is considered more appropriate that any transfer for community use should be on a leasehold basis. This would protect the future of these assets, and ensure that the Council can veto future changes in use and occupation of the facilities during the lifetime of the lease.

Key Policy Criteria

There are two key factors to be considered within the policy criteria:

- Benefits to the local community by transferring the asset
- Ability of the voluntary or community organisation to sustain the use of the asset over the leased period.

Therefore, the Community Asset Transfer Policy would require all proposals to meet the following, before being considered against alternative disposal options:

- The proposed use of an asset reflects the outcomes and objectives identified in the Corporate Plan and other appropriate plans and strategies.

- The proposed use of the asset is genuinely for the benefit of the community, and would offer real opportunities for successful and independent, community or third sector organisations to become more sustainable in the long term.

- The asset would be made fully available for use by a range of local groups, especially those working with, or in, disadvantaged communities, and should be compliant with the Disability Discrimination Act (DDA).

- The use of the asset is environmentally sustainable. Any future refurbishment plans should consider energy efficiency as a priority, and use good quality, environmentally sustainable, materials and construction practices.

- That the third sector organisation would have greater security and independence, and would be better able to meet the needs of the communities it serves.

- That uses would enable communities to have more access to facilities and/or opportunities that respond to their local needs.

Under the second key factor, the Council would need to analyse the risks carefully to ensure that proposed organisations and future community management of the assets are appropriate, and sustainable, in the long term.

As it is likely that many of the community and voluntary groups, applying to the Council for the transfer of assets, would have limited financial history, or facilities management experience, it is important that a robust business case is put forward in support of any proposal/organisation. The policy, therefore, sets out the following requirements that need to be demonstrated by organisations for them to be able to be considered 'fit for purpose' to lease Council assets:

- Financial viability of the transfer – the organisation would need to show at least a five year cash flow and budget forecast that demonstrated that the project is sustainable, and that the asset would be maintained adequately.
- Experience of, and/or commitment to, partnership working – demonstrating that the asset would be put to a variety of uses to benefit the community.
- The organisation and key individuals, managing the asset and associated project, have appropriate skills, knowledge and expertise to sustain the project in the long term.
- Clearly defined structures, roles and responsibilities within the organisation appropriate to deliver the project, whether voluntary and/or paid. It is recommended that a Council representative be included in any management committees associated with the assets.
- Clarity of decision making processes – adequate constitution, governance arrangements and management controls, are in place.
- Clarity of aims and objectives, and that these meet the key Corporate Plan objectives.
- All legislation and regulatory controls are in place – meeting equality standards, child protection, health and safety and licensing requirements.
- The project has the support of the local community – can demonstrate local need, community support through consultation, and that the project is not aligned only with a single interest group.
- Monitoring and evaluation processes are in place to demonstrate the successful delivery of objectives and targets over the life of the project.

Process for Assessing Proposals

It is recommended that a Community Asset Transfer Panel be established to assess the proposals put forward. The panel would consist of the Executive Lead for Planning, Transport and Housing, two Conservative Councillors, one Liberal Democrat Councillor and one Independent Councillor (to be nominated by the Group Leaders)Council (proportional representation), who would ultimately be responsible for the final decision, supported by voluntary sector representation. This panel would also be supported by Council officers with the relevant expertise to advise on the key elements of the proposal, including planning, estates, property management, legal, finance, housing, environmental policy and community engagement.

The Asset Transfer Panel and the Mayor, or nominated individual or body (as an appeal process), would be the key decision making boards related to this policy.

The assessment of proposals put forward by the community and voluntary groups would fall into two stages:

Stage One:
Once an asset had been identified for potential disposal, community and voluntary groups could then apply for transfer of that asset for community use. It is proposed that the timeframe, for those wishing to register an interest, would be limited to three months.

There would be an initial first stage, which will allow potential community or third sector organisations to detail their proposals in outline to be considered by the Community Asset Transfer Panel. This should be a simple initial process, where the organisation would have to demonstrate the following criteria:

Criteria
Strategic fit against the priorities in the Corporate Plan and other applicable plan strategies.
Support from the local community in the neighbourhood for the proposals – must include support of 50 local people, and have consulted the specific community partnership. These people do not have to be active members of the group, but need to support proposal.
Who, and how local people, would benefit from the proposals.
Previous experience of the group, or evidence of supporting organisation.
Proposals are focused on needs of the community – demonstrating there is a gap in provision, e.g. providing job opportunities in deprived areas, or aimed at key target groups currently excluded from the community activity.
Implications for the asset or building in the long term – alternative use options.

The Community Asset Transfer Panel would either give its approval for the proposals to be taken forward to the second stage (this preparation period would be a maximum of three months), or advise the asset be put forward for alternative disposal. The organisation involved would be advised in writing of the decision, giving reasons if the application were refused. They would be advised of their right of appeal which could only be considered against the criteria.

The organisation's right of appeal on whether the decision is fair would be undertaken by the Mayor or his nominated representative/body. If the proposal were not approved by the Panel, the organisation would have the right, within a set timescale, to appeal against the decision. The appeal would then be reviewed by the Mayor, or his nominated representative/body, who would either reject the appeal or recommend further consideration at the second stage.

Stage Two:
The Asset Transfer Panel would invite successful organisations to progress to the second stage where a full business and delivery plan would need to be presented for the project/proposal. This submission would be assessed under the following criteria:

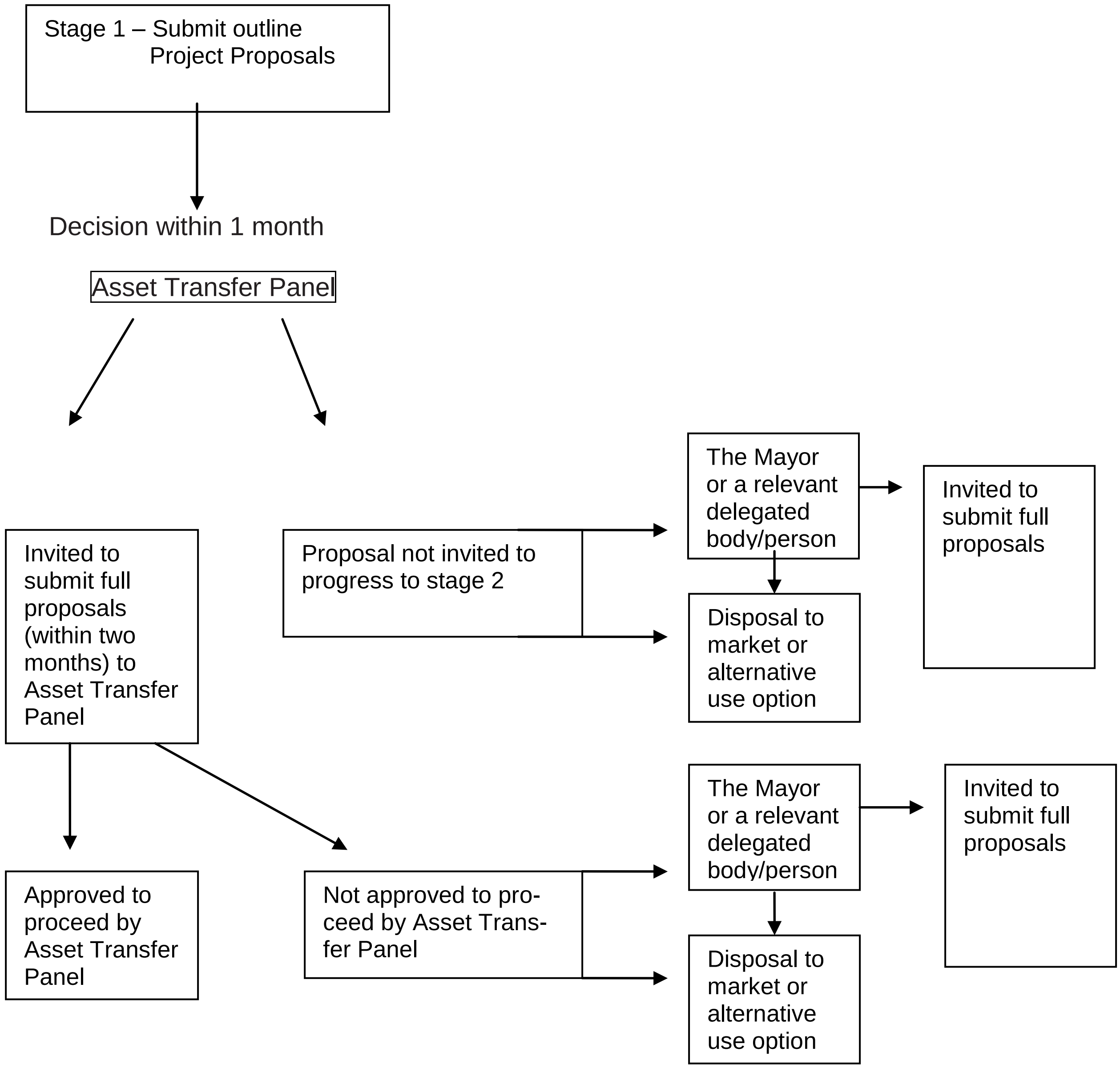
Documentary Evidence Required	**Criteria**
Business Plan and Governance Documentation	Outcomes, aims, objectives and targets the proposal would deliver, including how these would be monitored and assessed over the life of the project.
	What type of organisation would be running the project. The capacity of the organisation to deliver the project including : Decision making structures Management and staff structures, showing where

	these are paid or voluntary, whether these are experienced, and/or what training plans are in place.
	Identifying whether the project would create new jobs, housing or learning opportunities, and how these linked to the Corporate Plan and other relevant strategies.
	An indicative 5 year capital and revenue budget plan including all anticipated grant funding, identifying whether this had already been secured and any other income expected, sources etc.
	Relationships with any other partners on the project.
	Legislation and regulation considered within the project and how this would be addressed, e.g. Health and Safety regulations Child Protection Policy Equality regulations Licensing.
	How the project would address: Inequalities Crime prevention Environmental issues.
	The catchment area for the project.
	Length of lease required to deliver the project.
	Any development proposals relating to the buildings or land.
	Risk Analysis of the proposals.
Project Plan	Indicative timescales on how the project would be delivered from start up to fully operational.
	Description of any proposed development. Detailed breakdown of timings/costs for any proposed building works or refurbishment proposals, and how this would be funded.

Once a proposal had been successful at the second stage, this would be progressed through to the development of normal lease arrangements by the TEDC, instructed by the Executive Head of Business Services. This process would include advertising the 'disposal of public open space' which would have to be approved by the Mayor. This process usually would take two/three months.

A summary of the timescales and decision making process for both stages is detailed in the flow chart below:

Applicants will have a maximum of three months to apply at stage 1.



A guidance document and application forms will be provided to community and voluntary sector organisations to assist them in applying for Community Transfer of Assets.

Evaluation of benefits

The policy will be reviewed continually to ensure that it met the objectives set out in the Corporate Plan and other key plans and strategies, and demonstrated real benefits to the community.

Overview & Scrutiny
Confidence in your Council

Capital Plan Budget (including Capital Strategy and Corporate Asset Management Plan)

Report of the Overview and Scrutiny Board – January 2016

At its meeting on 27 January 2016, the Overview and Scrutiny Board considered the Mayor's draft Capital Plan budget for 2016/2017 to 2019/2020.

The Board agreed that the following views and recommendations be forwarded to the Mayor for its consideration:

1. That, in relation to the proposed Investment Fund, the allocation of the Fund, if the criteria is met, be agreed by the Executive Director – Operations and Finance in consultation with the Chief Finance Officer and the Mayor, Group Leaders and Overview and Scrutiny Co-ordinator and that any investment over £1 million would require the agreement of Council.

2. That, in relation to the prudential borrowing of £3 million for essential capital repairs, the allocation of the budget be agreed by the Executive Head – Business Services in consultation with the Chief Finance Officer and the Mayor, Group Leaders and Overview and Scrutiny Co-ordinator.

3. That the proposal to allocate the Disabled Facilities Grant reserve to support capital "invest to save" initiatives in children's and adults social care be not implemented at this time and that evidence be provided to the Overview and Scrutiny Board that the current level of funding for Disabled Facilities Grants is adequate and that the reserve is not required.

4. That the allocation of £0.350 million for improvements to The Strand in Torquay should not be supported unless there is no strain on the revenue budget and that the scheme should be prioritised alongside other schemes for similar improvement across Torbay.

The Board agreed that the following views and recommendations be forwarded to the Council for its consideration:

5. That the Capital Plan 2016/2017 – 2019/2020 Supporting Information be included within the Council's Budget and Policy Framework as part of the Capital Plan.

6. That the Executive Director – Operations and Finance and Chief Finance Officer (or their nominees) work with the Mayor, Group Leaders and Overview and Scrutiny Co-ordinator to prioritise current potential capital projects (with the aim that the prioritised list is available when the next Capital Plan Monitoring Report is presented).

7. That the revised Corporate Asset Management Plan 2015 – 2019 should come into effect on the day that it is approved by the Council.

TORBAY