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Wednesday, 14 June 2017

Meeting of the Council

Dear Member

I am pleased to invite you to attend a meeting of Torbay Council which will be held in **Rosetor Room, Riviera International Conference Centre, Chestnut Avenue, Torquay, TQ2 5LZ** on **Thursday, 22 June 2017** commencing at **5.30 pm**

The items to be discussed at this meeting are attached.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steve Parrock'.

Steve Parrock
Chief Executive

(All members are summoned to attend the meeting of the Council in accordance with the requirements of the Local Government Act 1972 and Standing Orders A5.)

A prosperous and healthy Torbay

For information relating to this meeting or to request a copy in another format or language please contact:

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Meeting of the Council Agenda

1. **Opening of meeting**

2. **Apologies for absence**

3. **Minutes**

(Pages 5 - 28)

To confirm as a correct record the minutes of the extraordinary meeting of the Council held on 6 April, the Special meeting of Council held on 9 May, the annual Council meeting held on 9 May and the adjourned annual Council meeting held on 10 May 2017.

4. **Declarations of interests**

- (a) To receive declarations of non pecuniary interests in respect of items on this agenda

For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

- (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda

For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(Please Note: If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)

5. **Communications**

To receive any communications or announcements from the Chairman, the Mayor, the Overview and Scrutiny Co-ordinator or the Chief Executive.

6. **Harbour Light Building, Paignton Harbour**

(Pages 29 - 37)

To consider the submitted report on the above.

(Note: this report contains exempt appendices which have been circulated separately.)

7. **Transformation Project - Future of Palace Avenue Theatre, Paignton** (Pages 38 - 46)
To consider the submitted report on options for the Palace Avenue Theatre.
8. **Transformation Project - Future direction of the Council's relationship with Torbay Leisure Centre** (Pages 47 - 54)
To consider the submitted report on the above.

(Note: this report contains exempt appendices which have been circulated separately.)
9. **Review of Investment Fund Strategy** (To Follow)
To consider the submitted report and the recommendations of the Mayor in respect of a review of the Investment Fund Strategy.
10. **Transformation Project - Housing Companies Policy Framework Document** (Pages 55 - 81)
To consider the Mayor's recommendation on the above Policy Framework document.
11. **Constitution Amendments** (Pages 82 - 86)
To consider the submitted report on proposed changes to the Council's standing orders in respect of length of speeches and the terms of reference for the Development Management Committee.
12. **Corporate Plan Amendment - Vision/Place Narrative for Torbay Partners** (Pages 87 - 100)
To consider the submitted report on the above Policy Framework document.
13. **Composition and Constitution of Executive and Delegation of Executive Functions** (Pages 101 - 106)
To receive details on the composition and constitution of the Mayor's Executive for 2017/2018, together with the record of delegation of Executive Functions.
14. **Provision Revenue Outturn 2016/2017 - Subject to External Audit** (Pages 107 - 115)
To consider the submitted revenue outturn report which provides a summary of the Council's expenditure for the financial year 2016/2017.
15. **Capital Investment Plan Outturn 2016/2017 - Subject to Audit** (To Follow)
To consider the Capital Monitoring report for 2016/2017 under the Council's budget monitoring procedures which provides high-level information on capital expenditure and income for the year (subject to Audit), compared with the latest budget position as at quarter three reported in February 2017.
16. **Treasury Management Outturn 2016/17** (Pages 116 - 130)
To consider the submitted report on the above.

17. Exclusion of the Press and Public

To consider passing a resolution to exclude the press and public from the meeting prior to consideration of the following item on the agenda on the grounds that exempt information (as defined in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended)) is likely to be disclosed.

18. Investment Committee Recommendation - Investment Opportunity

To consider any recommendations from the Investment Committee on investment opportunities.

Note

An audio recording of this meeting will normally be available at www.torbay.gov.uk within 48 hours.



Minutes of the Extraordinary Meeting of the Council (Council decisions shown in bold text)

6 April 2017

-: Present :-

**Chairman of the Council (Councillor Hill) (In the Chair)
Vice-Chairwoman of the Council (Councillor Brooks)**

The Mayor of Torbay (Mayor Oliver)

Councillors Amil, Barnby, Bent, Bye, Carter, Doggett, Ellery, Excell, Haddock, King, Kingscote, Lewis (B), Lewis (C), Manning, Mills, Morey, O'Dwyer, Parrott, Robson, Pentney, Sanders, Stockman, Stringer, Stubley, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield

172 Opening of meeting

Members observed a minutes silence as a mark of respect in memory of Dennis Greenhill-Tanner, a past Deputy Mayor of Torbay, who had recently passed away. The Chairman's Chaplain then opened the meeting with a prayer.

173 Apologies for absence

Apologies for absence were received from Councillors Darling (M), Darling (S), Morris and Stocks.

174 Minutes

The Minutes of the meeting of the Council held on 23 February 2017 and the Extraordinary meeting of the Council held on 13 March 2017 were confirmed as correct records and signed by the Chairman.

175 Declarations of interests

No interests were declared.

(Note: Prior to the meeting, the Monitoring Officer granted a dispensation to Mayor Oliver and Councillor O'Dwyer in respect of their pecuniary interests in relation to the submitted report under Minute 180.)

176 Communications

The Mayor updated members on the launch of the Torbay Lottery good cause event and that 22 groups had signed up so far to become beneficiaries of the Torbay Lottery. These included sports groups, disability and support groups, health organisations and other community groups who would receive 50p for every lottery ticket sold when selected by ticket purchasers. The Mayor encouraged other local community, voluntary and charity organisations to sign up to the lottery as beneficiaries to help them raise vital funds to support Torbay's communities and advised tickets would be available to purchase from 25 April with a top prize of £25,000 for the weekly draw.

177 Land at Green Park Road - Mayoral Recommendation

The Council considered the recommendations of the Mayor (as set out in the submitted report) in respect of retention of land at Green Park, Preston, which had been identified as a surplus and recommended by officers for disposal. It was noted the recommendations of the Mayor were outside the Council's Policy Framework (the Corporate Asset Management Plan) and therefore the matter was for the Council to determine.

Mayor Oliver proposed and Councillor Sykes seconded a motion, which was agreed by the Council as set out below:

that the Council be recommended that the land at Green Park Road, Preston, shown edged red on map number EM2653, remains in the Council's ownership and is not disposed of.

178 Mayor's Response to Council's Objection to the Review of Investment Fund Strategy and Investment Committee Terms of Reference

Further to the Council meeting held on 23 February 2017, members considered the submitted report and record of decision on the Mayor's response to the objections raised by the Council on the review of Investment Fund Strategy and Investment Committee Terms of Reference.

Mayor Oliver proposed and Councillor Mills seconded a motion as set out below:

- (i) that the Council be recommended to approve the revised Torbay Council Investment Fund Strategy set out in Appendix 1 to the submitted report; and
- (ii) that the Council be recommended to approve the revised Terms of Reference of the Investment Committee set out in Appendix 2 to the submitted report.

During the debate Councillor Tyerman proposed and Councillor Carter seconded an amendment to the motion as follows:

- (i) that the Council be recommended to approve the revised Torbay Council Investment Fund Strategy set out in Appendix 1 to the

submitted report, subject to the level of authority to the Investment Committee being increased to £10m; and

- (ii) that the Council be recommended to approve the revised Terms of Reference of the Investment Committee set out in Appendix 2 to the submitted report, subject to the level of authority to the Investment Committee being increased to £10m.

A recorded vote was taken on the amendment. The voting was taken by roll call as follows: For: Councillors Barnby, Bent, Bye, Carter, Doggett, Ellery, Hill, Kingscote, Lewis (B), Lewis (C), Morey, O'Dwyer, Parrott, Pentney, Robson, Sanders, Stockman, Stringer, Stublely, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield (25); Against: Mayor Oliver, Councillors Amil, Excell, Haddock, King, Manning and Mills (7); Abstain: Councillor Brooks (1); and Absent: Councillors Darling (M), Darling (S), Morris and Stocks (4). Therefore, as more than two-thirds of members present and voting had cast their vote in support of the amendment, it was carried.

The amended (substantive) motion was then considered by members.

A recorded vote was taken on the amended (substantive) motion. The voting was taken by roll call as follows: For: Councillors Barnby, Bent, Brooks, Bye, Carter, Doggett, Ellery, Haddock, Hill, Kingscote, Lewis (B), Lewis (C), Morey, Parrott, Pentney, Robson, Sanders, Stringer, Stublely, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield (25); Against: Mayor Oliver, Councillors Amil, Excell, Manning and Mills (5); Abstain: Councillors King, O'Dwyer and Stockman (3); and Absent: Councillors Darling (M), Darling (S), Morris and Stocks (4). Therefore, as more than two-thirds of members present and voting had cast their vote in support of the amended (substantive) motion, it was carried as follows:

- (i) that the Council be recommended to approve the revised Torbay Council Investment Fund Strategy set out in Appendix 1 to the submitted report, subject to the level of authority to the Investment Committee being increased to £10m; and**
- (ii) that the Council be recommended to approve the revised Terms of Reference of the Investment Committee set out in Appendix 2 to the submitted report, subject to the level of authority to the Investment Committee being increased to £10m.**

179 Healthy Torbay Supplementary Planning Document

Members considered the submitted report setting out the Healthy Torbay Supplementary Planning Document (SPD). The Healthy Torbay SPD had been produced to provide spatial planning guidance on the determination of planning applications on a number of matters related to health and wellbeing in Torbay.

Councillor King proposed and Councillor Mills seconded a motion, which was agreed (unanimously) by the Council as set out below:

- (i) that, following consideration of representations made on the Draft Healthy Torbay Supplementary Planning Document (SPD), the SPD be adopted, with minor modifications as set out in Appendix 1 to the submitted report; and
- (ii) that the Executive Head of Business Services and Director of Public Health, in consultation with the Executive Lead for Planning, Transport and Housing and the Executive Lead for Health and Wellbeing and Corporate Services, be given delegated powers to make minor amendments to the Healthy Torbay Supplementary Planning Document to ensure legibility and clarity.

180 Transformation Project - Town Centre Regeneration

The Council considered the Transformation Strategy for Torbay's Town Centres (as set out in the submitted report) for inclusion as a Policy Framework document, appended to the Council's Economic Strategy. It was noted the Town Centre Regeneration Strategy had two key objectives, namely:

- to deliver and enable significant and successful regeneration of Torbay's town centres, as a key part of Torbay's overall growth and place making agenda; and
- to generate income to support the Council's budget in order to deliver local services.

Councillor Haddock proposed and Councillor King seconded a motion, which was agreed by the Council as set out below:

- (i) that the "Transformation Strategy for Torbay's Town Centres", which includes the actions to deliver Phase 1 of the Town Centres Regeneration Programme, including direct delivery of development by the Council, and is set out in Appendix 1 to the submitted report, be agreed and adopted as a Policy Framework document as an Appendix to the Council's Economic Strategy;
- (ii) that, in accordance with the Transformation Strategy for Torbay's Town Centres, the Town Centres Regeneration Programme Board be requested to pursue a range of actions as described within the Strategy, including the development of full business cases, for the following priority projects on Council-owned land:
 - (a) Harbour View – between The Terrace and Museum Road, Torquay;
 - (b) Paignton Harbour;
 - (c) Upton Place (behind the Town Hall), Torquay;
 - (d) Victoria Centre, Paignton;

- (e) Lower Union Lane and the linkage to Union Street, Torquay; and
 - (f) Brixham Town Centre;
- (iii) that the Town Centres Regeneration Programme Board be requested to continue to work with the owner of Crossways, Paignton and potential investors to secure an appropriate and accelerated redevelopment of the site in support of regeneration in accordance with the Strategy;
- (iv) that the Town Centres Regeneration Programme Board be requested to continue to work with Network Rail and Stagecoach, other land owners, Great Western Railway and investors to secure delivery of a new Paignton Civic Hub, focused around the bus/rail stations and the library in Paignton, in accordance with the Strategy;
- (v) that, having developed a full business case for each Town Centre regeneration site, including but not limited to those identified in (ii), (iii) and (iv) above, the Town Centres Regeneration Programme Board should seek a decision from the Council to proceed as and when appropriate;
- (vi) that the Council supports, in principle, the following priority public realm projects and requests that the Town Centres Regeneration Programme Board develop full business cases for projects and present them to Council for a decision to proceed as and when appropriate:
 - (a) Castle Circus, Torquay;
 - (b) GPO roundabout, Torquay;
 - (c) Cary Parade/The Strand, Torquay;
 - (d) Market Street junction with Union Street, Torquay;
 - (e) Between the former BHS store and Union Square, Torquay;
 - (f) Station Square, Paignton;
 - (g) Between Victoria Street/Torbay Road, Paignton; and
 - (h) Junction of Palace Avenue, Totnes Road and Victoria Street, Paignton;
- (vii) that an allocation from the Council's overarching 2016/2017 Transformation Budget (and any agreed rolled over to 2017/2018) be earmarked for Town Centre Regeneration to be determined by the Chief Executive to support up to four additional FTEs and to meet professional and other costs associated with delivering the town centre regeneration programme at pace and scale;
- (viii) that the Chief Executive, in consultation with the Chief Financial Officer and the Executive Head of Business Services, consider

reprioritising existing regeneration resources in order to prioritise town centre regeneration;

- (ix) that any revenue surplus generated from the Town Centres Regeneration Programme be earmarked to fund a Town Centre Investment Fund with any capital receipts from the Programme being allocated by the Council in accordance with the Budget and Policy Framework; and
- (x) that the Policy Framework be amended to reflect that any disposal of assets required to facilitate the Town Centre Regeneration Programme will be a Council function.

(Note: In accordance with Standing Order A19.6, Councillor Mills requested his abstention from voting on the motion to be recorded.)

181 Transformation Project - Housing Policy Framework Document

This item was deferred from the meeting following the urgent decision of the Assistant Director of Business and Corporate Services for it to be considered at the Adjourned Annual Council meeting on 10 May 2017.

182 International Holocaust Remembrance Alliance Working Definition of Anti-Semitism

Members considered the submitted report on the Government's International Holocaust Remembrance Alliance Working Definition of Anti-Semitism which was an important tool for public bodies to understand how anti-Semitism manifests itself in the 21st century. It was noted the Government was encouraging local authorities to formally adopt the definition and it was proposed the Council adopt it within its Equalities Objectives to support the Council's Public Sector Equality Duty.

Councillor Mills proposed and Councillor Doggett seconded a motion, which was agreed (unanimously) by the Council as set out below:

that the following be incorporated into the introduction of the Council's Equality Objectives:

"Subsequent to these equalities objectives being agreed and published the Government has adopted International Holocaust Remembrance Alliance Working Definition of Anti-Semitism and has requested the Council to consider adopting this and how it could be applied by the Council.

The Council has agreed to adopt the following working definition of Anti-Semitism:

"Anti-Semitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed

toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.”

However, the Council actively supports and promotes the aims of the Public Sector Equality Duty in relation to all communities living in Torbay regardless of their faith.”

183 Exclusion of the Press and Public

Councillor Thomas (D) proposed and Councillor Ellery seconded the motion, which was agreed (unanimously) by the Council, as set out below:

that the press and public be excluded from the meeting prior to consideration of the following items on the agenda on the grounds that exempt information (as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) is likely to be disclosed.

Prior to consideration of the items in Minutes 184 and 185 the press and public were formally excluded from the meeting.

184 Torbay Coast and Countryside Trust Leases

The Chairman announced that, following the publication of the agenda, this item had been withdrawn.

(Note: Prior to this item Councillors Bye and Parrott left the meeting.)

185 Transformation Project - Update on the Riviera International Conference Centre

The decision of the Council meeting is restricted due to exempt information contained within the decision.

Chairman

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Minutes of the Council
(Council decisions shown in bold text)

9 May 2017

-: Present :-

Chairman of the Council (Councillor Hill) (In the Chair)
Vice-Chairwoman of the Council (Councillor Brooks)

The Mayor of Torbay (Mayor Oliver)

Councillors Amil, Barnby, Bent, Bye, Carter, Darling (M), Darling (S), Doggett, Ellery, Excell, Haddock, King, Kingscote, Lewis (B), Lewis (C), Manning, Mills, Morey, Parrott, Robson, Sanders, Stockman, Stocks, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield

186 Opening of meeting

The meeting was opened with a short period of reflection.

187 Apologies for absence

Apologies for absence were received from Councillors Morris, O'Dwyer and Stublely.

188 Nomination for Honorary Freeman of the Borough of Torbay

The Council received a recommendation, as set out in the minutes of the Civic Committee meeting held on 12 November 2016, in relation to a nomination for Honorary Freeman.

Councillor Kingscote proposed and Councillor Darling (M) seconded a motion, which was agreed (unanimously) by the Council as set out below:

That, in accordance with the minutes of the Civic Committee of 12 November 2016, in exercise of the powers, conferred by Section 249 of the Local Government Act 1972, Mrs Lynne Hookings be admitted as an Honorary Freeman of the Borough of Torbay in recognition and appreciation of her eminent services to the Borough for many years and her unceasing work for local charities and organisations.'

Mrs Hookings took the declaration before the Chief Executive and signed the Honorary Freeman's Roll. The Chairman presented Mrs Hookings with a commemorative scroll and badge of office whereupon Mrs Hookings thanked the Council for the honour bestowed upon her.

Chairman

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Minutes of the Council
(Council decisions shown in bold text)

9 May 2017

-: Present :-

Chairman of the Council (Councillor Hill) (In the Chair)
Vice-Chairwoman of the Council (Councillor Brooks)

The Mayor of Torbay (Mayor Oliver)

Councillors Amil, Barnby, Bent, Bye, Carter, Darling (M), Darling (S), Ellery, Excell, Haddock, Hill, King, Kingscote, Lewis (B), Lewis (C), Manning, Mills, Morey, Parrott, Pentney, Robson, Sanders, Stockman, Stocks, Stubbley, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield

1 Opening of meeting

The meeting was opened with a prayer.

2 Apologies for absence

Apologies for absence were received from Councillors Morris, O'Dwyer and Stringer.

3 Election of Chairman/woman

Councillor Barnby proposed and Councillor Stockman seconded a motion, which was agreed (unanimously) by the Council as set out below:

That Councillor Anne Brooks be elected Chairwoman of the Council of the Borough of Torbay for the Municipal Year 2017/2018.

(The Chairwoman, Councillor Brooks, in the Chair)

The Chairwoman of the Council took the Declaration of Acceptance of Office and Oath of Allegiance and thanked the Council for the honour bestowed upon her.

The Chairwoman also announced that Mr William Taylor would be her Escort during her term of office and her charities would be Carers Aid Torbay (CAT) and Torbay Museums' Trust.

4 Chairwoman's Chaplain and Civic Sunday

The Chairwoman announced that she had appointed Reverend Father Peter Marsh to be her Chaplain and that the Annual Civic Church Service would be held at St Luke's Church, Torquay in the Autumn.

5 Retiring Chairman and Chairman's Consort

Councillor Lewis (C) proposed and Councillor Morey seconded a motion, which was agreed (unanimously) by the Council as set out below:

That the Council express its sincere thanks and appreciation to Councillor Ray Hill and Mrs Patricia Hill for the manner in which they had carried out their duties during their term of office.

6 Appointment of Vice-Chairman/woman of the Council

Councillor Sanders proposed and Councillor Thomas (D) seconded a motion, which was agreed (unanimously) by the Council as set out below:

That Councillor Ian Doggett be appointed Vice-Chairman of the Council of the Borough of Torbay for the Municipal Year 2017/2018.

The Vice-Chairman of the Council took the Declaration of Acceptance of Office and thanked the Council for the honour bestowed upon him.

The Vice-Chairman also announced that Mrs Maggi Douglas-Dunbar would be his Escort during his term of office.

7 Adjournment

At this juncture the meeting was adjourned until 2.00 p.m. on Wednesday 10 May 2017.

Chairwoman

Minutes of the Council
(Council decisions shown in bold text)

10 May 2017

-: Present :-

Chairwoman of the Council (Councillor Brooks) (In the Chair)
Vice-Chairman of the Council (Councillor Doggett)

Councillors Amil, Barnby, Bent, Bye, Carter, Darling (M), Darling (S), Ellery, Excell, Haddock, Hill, King, Kingscote, Lewis (B), Lewis (C), Manning, Mills, Morey, Morris, O'Dwyer, Parrott, Robson, Pentney, Stockman, Sanders, Stocks, Stringer, Stubley, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield

8 Apologies for absence

Apologies for absence were received from: Councillors Carter, Darling (M), Kingscote, Lewis (B), Stocks and Winfield for the first part of the meeting until the adjournment; Councillor Morris for the second part of the meeting; and Mayor Oliver for the whole meeting.

9 Declarations of interests

Councillor Excell declared a pecuniary interest in respect of Minute 27.

The Chief Executive declared a personal interest in respect of Minute 20, as the report related to the employment of the Chief Executive, and advised that he would withdraw from the meeting for this item.

10 Communications

The Chairwoman:

- (a) thanked those who attended her Annual Civic dinner held on 9 May 2017 and advised that approximately £600 was raised for her charities; and
- (b) referred to the royal visit to Torbay on Wednesday 3 May 2017 by the Earl of Wessex. It was noted the purpose of the visit was to raise awareness of some of the challenges in Torbay, such as homelessness, and the work that had been carried out by local organisations to make a difference to the lives of people and the environment across the Bay. The Chairwoman thanked all the officers and colleagues who assisted in making the visit a success.

11 Order of Business

In accordance with Standing Order A7.2 in relation to Council meetings, the order of business was varied to enable: Item 15 (Notice of Motion – Amendment to Council Standing Order A14.3) and Item 17 (Revised Council Annual Pay Policy Statement) to be considered after Item 12 (Annual Report of the Overview and Scrutiny Board for 2016/2017); and Item 5 (exclusion of press and public) and Item 6 (Investment Committee Recommendation – Investment Opportunity) to be considered at the end of the meeting.

12 Appointment of Overview and Scrutiny Co-ordinator and Scrutiny Leads

The Council was requested to consider the appointment of the Overview and Scrutiny Co-ordinator and the appointment of scrutiny lead members for 2017/2018.

Councillor Thomas (D) proposed and Councillor Morey seconded a motion which was agreed (unanimously) by the Council as set out below:

- (i) that Councillor Lewis (C) be appointed as the Overview and Scrutiny Co-ordinator for 2017/2018 municipal year; and**
- (ii) that the following Councillors be appointed as the Scrutiny Leads as indicated for the 2017/2018 municipal year:**

Joint Commissioning – Children’s and Adults: Councillor Barnby;

Joint Commissioning – Health, Wellbeing and Public Health: Councillor Bent;

Joint Operations – Corporate and Business Services: Councillor Darling (S); and

Joint Operations – Community and Customer Services: Councillor Stocks.

13 Review of Political Balance and Appointments to Committees

The Council considered the submitted report on the appointment of committees and other bodies in the light of the political balance of the Council.

Councillor Thomas (D) proposed and Councillor Darling (S) seconded a motion, which was agreed (unanimously) by the Council as set out below:

- (i) that the overall political balance of the committees, as set out in Appendix 1 to the submitted report, be approved;**
- (ii) that, subject to (i) above being approved, the committees be appointed with the terms of reference set out in Appendix 2 to the submitted report;**

- (iii) that, subject to (i) above being approved, nominations be received to fill the seats on the committees;
- (iv) that, a sub-committee of the Licensing Committee be established to comprise three Members of the Licensing Committee;
- (v) that the terms of reference of the Licensing Sub-Committee be to consider and determine all matters in connection with licensing applications (including those set out in the Statement of Licensing Policy and Gambling Act Policy/Statement of Principles);
- (vi) that the Licensing Sub-Committee be exempted from the rules of committee proportionality as defined in the Local Government and Housing Act 1989 and supporting regulations;
- (vii) that the Governance Support Manager be authorised to empanel Members from the Licensing Committee to serve on the Licensing Sub-Committee as and when required; and
- (viii) that the Mayor confirms the appointments to the Health and Wellbeing Board as set out in Appendix 2 to the submitted report.

Following the vote, the members to serve on each committee and other bodies were nominated by the Group Leaders as set out in Appendix 2 to the submitted report.

14 Calendar of Meetings for 2017/2018

The Council considered the submitted report setting out the proposed calendar of meetings for 2017/2018.

Councillor Mills proposed and Councillor King seconded a motion set out below:

- (i) that, subject to the dates of the Policy Development and Decision Group meetings being amended as set out below, the calendar of meetings for 2017/2018, set out in Appendix 1 to the submitted report, be approved:

Policy Development and Decision Group (Joint Operations Team) - meetings to start at 2.00 p.m.:

- 15 June 2017
- 13 July 2017
- 14 September 2017
- 12 October 2017
- 16 November 2017
- 14 December 2017
- 11 January 2018
- 15 February 2018

- 8 March 2018
- 12 April 2018

Policy Development and Decision Group (Joint Commissioning Team)
– meetings to start at 2.00 p.m.

- 5 June 2017
- 3 July 2017
- 4 September 2017
- 2 October 2017
- 6 November 2017
- 4 December 2017
- 15 January 2018
- 5 February 2018
- 5 March 2018
- 3 April 2018
- 1 May 2018; and

- (ii) that meetings of the Employment Committee and Civic Committee be held on an ad-hoc basis, to be determined by the Governance Support Manager in consultation with the relevant Chairman/woman.

During the debate Councillor Lewis proposed and Councillor Stubleby seconded an amendment to the motion as follows:

- (i) that, subject to the start time ~~dates~~ of the Policy Development and Decision Group (Joint Operations Team) meetings being amended to 4.00 p.m. with the Policy Development and Decision Group (Joint Commissioning Team) meetings commencing at the rising of the Policy Development and Decision Group (Joint Operations Team) ~~as set out below~~, the calendar of meetings for 2017/2018, set out in Appendix 1 to the submitted report, be approved.

~~Policy Development and Decision Group (Joint Operations Team) – meetings to start at 2.00 p.m.:~~

- ~~• 15 June 2017~~
- ~~• 13 July 2017~~
- ~~• 14 September 2017~~
- ~~• 12 October 2017~~
- ~~• 16 November 2017~~
- ~~• 14 December 2017~~
- ~~• 11 January 2018~~
- ~~• 15 February 2018~~
- ~~• 8 March 2018~~
- ~~• 12 April 2018~~

~~Policy Development and Decision Group (Joint Commissioning Team) – meetings to start at 2.00 p.m.~~

- ~~• 5 June 2017~~

- ~~3 July 2017~~
- ~~4 September 2017~~
- ~~2 October 2017~~
- ~~6 November 2017~~
- ~~4 December 2017~~
- ~~15 January 2018~~
- ~~5 February 2018~~
- ~~5 March 2018~~
- ~~3 April 2018~~
- ~~1 May 2018~~

The amendment was put to the vote and declared carried.

The amended (substantive) motion was then considered by members, which was agreed by the Council as follows:

- (i) **that, subject to the start time of the Policy Development and Decision Group (Joint Operations Team) meetings being amended to 4.00 pm, with the Policy Development and Decision Group (Joint Commissioning Team) meetings commencing at the rising of the Policy Development and Decision Group (Joint Operations Team), the calendar of meetings for 2017/2018, set out in Appendix 1 to the submitted report, be approved; and**
- (ii) **that meetings of the Employment Committee and Civic Committee be held on an ad-hoc basis, to be determined by the Governance Support Manager in consultation with the relevant Chairman/woman.**

15 Composition and Constitution of the Executive and Delegation of Functions

The Deputy Mayor, on behalf of the Mayor, presented the Mayor's report on the above, which was noted.

16 Scheme of Delegation for Council Functions

Councillor Thomas (D) proposed and Councillor Darling (S) seconded a motion which was agreed (unanimously) by the Council as set out below:

that the scheme of delegation of Council functions, as set out in Part 3 of the Constitution in so far as they relate to Council functions be approved.

17 Annual Report of the Overview and Scrutiny Board for 2016/2017

The Council received and noted the Overview and Scrutiny Annual Report for 2016/2017.

18 Notice of Motion - Amendment to Council Standing Order A14.3

Members received the following motion, notice of which was given in accordance with Standing Order A14:

A14.3 Procedure

- (a) If the subject matter of any motion listed on the agenda comes within the province of the Executive or any Council committee, it shall stand referred to the Elected Mayor or committee, as appropriate, ~~without debate~~ **following debate by Councillors if the matter is to be determined by the Executive at Full Council**. Executive matters will be considered and determined by the Elected Mayor normally at a meeting of the Policy Development and Decision Group (Joint Operations Team) or (Joint Commissioning Team) or he/she may announce his/her decision at the Council meeting, or may refer the matter to an individual member of the Executive or an officer. Matters referred to a Council committee will be placed on the next available agenda and the Committee will determine whether to request officers to prepare a report on the matter for consideration at a future meeting.

In accordance with Standing Order A16.9 Councillor Sanders withdrew his motion with the consent of Councillor Darling (S) as seconder.

19 Revised Council Annual Pay Policy Statement

Members considered the submitted report (as circulated on 8 May 2017) setting out the Employment Committee's recommendation for the Council's Pay Policy to be updated in respect of the salary range of officers whose posts were evaluated using Hay. The report also recommended that the salary of the Chief Executive be reviewed in light of the recommended changes to the Pay Policy and independent advice received from South West Councils (as set out in exempt Appendix 2).

Councillor Mills proposed and Councillor Ellery seconded a motion, which was agreed by the Council as set out below:

- (i) **that the revised Torbay Council Annual Pay Policy Statement as set out at Appendix 1 to the submitted report be approved, with the following paragraph included:**

“In the absence of appropriate data from Hay, the Council will take advice from the Head of Human Resources and the Assistant Director, Corporate and Business Services. In such a scenario independent advice will be sought from South West Councils (HR and Employment Services) and other professional organisations to advise the Council as to the appropriate level of remuneration to be awarded.”; and

- (ii) that consideration of the appropriate level of remuneration for the Chief Executive be delegated to the Employment Committee to determine.**

(Note: Prior to consideration of Minute 20, the Chief Executive withdrew from the meeting due to his personal interest in respect of this item.)

20 Adjournment

At this juncture the meeting was adjourned until 5.30pm on Wednesday, 10 May 2017.

21 Planning Application P/2017/0121/MPA - Relocation of Torbay School to MyPlace, Parkfield - Alterations to MyPlace, Parkfield and construction of new single storey extensions to rear

Prior to consideration of Planning Application P/2017/0121/MPA, the Monitoring Officer presented her procedural briefing and recommendation (as circulated on 8 May 2017). Members noted that the Council meeting's Rules of Debate did not reflect the custom and practice of the debate followed by the Development Management Committee when considering Planning Applications. Therefore, the Monitoring Officer had prepared a procedural recommendation to apply to the Council's consideration of Planning Application P/2017/0121/MPA to ensure consistency.

The Monitoring Officer also reminded Members that, along with pecuniary and non-pecuniary interests, Members were required to ensure there could be no question of predetermination or bias when considering Planning Applications. It was noted this required all Members (including those Members of the Development Management Committee who considered the application on 13 March 2017) to keep an open mind in respect of all the issues presented in relation to the Planning Application before reaching a decision.

Councillor Thomas (D) proposed and Councillor Tyerman seconded a procedural motion, which was agreed (unanimously) by the Council as set out below:

- (i) that Council suspends Standing Order A16.6 to A16.9 and adopts the following procedure for consideration of Planning Application P/2017/0121/MPA:**
 - (a) Standing Order A23.3 (i) to (iv) to be followed in respect of representations as follows:**
 - (i) introduction of item by officer;**
 - (ii) representations by objector(s) (5 minutes);**
 - (iii) representations by applicant, agent or supporters (5 minutes);**

- (iv) **officers to comment if necessary on matters raised above;**
 - (b) Questions by Members to the Planning Officers in respect of the application;**
 - (c) Once all questions have been asked, a motion will be put forward and seconded to open the application for debate, the options for the motion include:**
 - 1. Approval (with or without conditions); or**
 - 2. Refusal (with reasons); or**
 - 3. Deferment for further information or a site visit; or**
 - 4. Delegation for determination by an officer or other Committee of the Council**
 - (d) Members may speak more than once on a motion;**
 - (e) During the debate if any further additions (such as reasons for refusal or additional conditions) are suggested to the motion, the Chairwoman will seek consent of the proposer and seconder for these to be included in the original motion. If consent is not forthcoming, then a further motion can be moved once the motion on the table has been dealt with;**
 - (f) Prior to the vote on the motion, the Chairwoman will confirm the details of the motion, including asking the Planning Officer to clarify if there are any additional technical conditions required or reasons for refusal; and**
 - (g) A vote will be taken on the motion and the Chairwoman will announce the result of the vote. If the motion fails the Chairwoman will invite Members to propose an alternative motion which will be subject to debate prior to the vote and following (c) to (f) above; and**
- (ii) that the Monitoring Officer is authorised to update the Constitution to reflect this practice for consideration of future Planning Applications by full Council and Development Management Committee.**

Members then considered the Planning Application. At its meeting on 13 March 2017, the Development Management Committee considered a planning application for the relocation of Torbay School to MyPlace, Parkfield, Colin Road, Paignton and the construction of a new single storey extension to help accommodate the school. The officer recommendation to the Committee was conditional approval. The Committee resolved to refuse the application on the grounds of overdevelopment on the site and the impact the proposal would have on neighbouring properties by reasons of the proximity to these properties. The Committee's decision was not in

accordance with paragraph 4 of the Terms of Reference for the Development Management Committee (Schedule 4 of the Constitution) and therefore the Executive Head of Business Services referred the application to Council for decision. The Council considered the submitted report setting out details of the planning application.

Prior to the meeting, Members undertook a site visit and written representations were circulated to Members on 8 and 9 May 2017.

The Team Leader Development Management and Planning Officer presented the planning application at the meeting and responded to Members' questions.

The Chairwoman allowed additional time for speakers making representations on the application (10½ for speakers against the application and 10½ minutes for the speaker in support of the application). Members heard representations from Mr Sinclair, Mr Watts and Mr Hurst against the application and Mr Dempsey (Director of Children's Services and applicant) in support of the application.

Councillor Kingscote proposed and Councillor Morey seconded a motion as determined by the Development Management Committee on 13 March 2017 as set out below:

that the application be refused on the grounds of overdevelopment on the site and the impact the proposal would have on neighbouring properties by reason of the proximity to these properties.

During the debate, Councillor Kingscote and Councillor Morey accepted additional reasons for refusal by Members along with advice from Planning and Legal officers, which were then incorporated in the original motion.

A recorded vote was taken on the motion. The voting was taken by roll call as follows: For: Councillors Barnby, Ellery, Excell, Hill, Kingscote, Lewis (B), Lewis (C), Morey, O'Dwyer, Robson, Stockman, Stringer, Stubbley, Sykes, Thomas (D), Thomas (J), Tolchard, Tyerman and Winfield (19); Against: Councillors Amil, Bye, Darling (M), Haddock, King, Manning, Mills, Parrott and Stocks (9); Abstain: Councillors Brooks, Carter, Darling (S), Doggett, Pentney and Sanders (6); and Absent: Mayor Oliver, Councillors Bent and Morris (3). Therefore the motion was carried as follows:

that the application be refused on the grounds of overdevelopment of the site and the impact the proposal would have on neighbouring properties by reason of the proximity to these properties. In addition the proposal will have a detrimental impact on the core tourism area, constitute poor design, loss of leisure facilities and has failed to demonstrate it will not contribute to flood risk within the critical drainage area which is contrary to Policies T01 T02 DE1 DE3, SC1, Sc2 and ER2 of the Torbay Local Plan. The perceived benefits to the provision of education facilities in Torbay are not considered to overcome the harm caused by the proposals.

(Note: During consideration of Minute 22, Councillor Bent left the meeting.)

22 Duration of Meeting and Order of Business

At this juncture, the Chairwoman advised that the meeting had exceeded four hours in duration and in accordance with Standing Order A11.2, the Chief Executive and the Monitoring Officer had indicated that items 5 (Exclusion of Press and Public) and 6 (Investment Committee Recommendation – Investment Opportunity) must be transacted at the meeting. Therefore, the Chairwoman varied the order of business to enable items 5 and 6 on the agenda to be considered before item 16 (Transformation Project – Delivery of student accommodation on part Upton Place (Torquay Town Hall Car Park)).

(Note: Prior to consideration of Minute 23, Councillors Barnby, Kingscote, Sanders and Stringer left the meeting.)

23 Exclusion of the Press and Public

Councillor Hill proposed and Councillor Thomas (J) seconded the motion, which was agreed by the Council, as set out below:

that the press and public be excluded from the meeting prior to consideration of the following item on the agenda on the grounds that exempt information (as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) is likely to be disclosed.

Prior to consideration of the item in Minute 25 the press and public were formally excluded from the meeting.

24 Investment Committee Recommendation - Investment Opportunity

The Council considered the recommendations of the Investment Committee on an investment opportunity. Members received details of the proposal as set out in the exempt report circulated prior to the meeting.

The decision of the Council meeting is restricted due to exempt information contained within the decision.

25 Duration of Meeting

In accordance with Standing Order A11.1, the Chairwoman invited members to vote for the meeting to continue as the meeting had exceeded four hours duration. On being put to the vote, it was resolved to continue the meeting.

26 Transformation Project - Delivery of student accommodation on part Upton Place (Torquay Town Hall Car Park)

The Council considered the submitted report which sought approval of a business case to support delivery of student accommodation on part of Upton Place, Torquay.

Councillor Haddock proposed and Councillor King seconded a motion, which was agreed by the Council as set out below:

- (i) that prudential borrowing of up to £14.2 million to support the design and build of the student accommodation at Upton Place be approved;**
- (ii) that the Council enter into a 25 year full repairing and insuring lease, as detailed in the Business Case, subject to further negotiation, and with an option for the Council to sell the building within the lease period to the education provider;**
- (iii) that power be delegated to the Chief Executive, in consultation with the Chief Financial Officer and the Executive Head of Business Services, to agree the final details of the lease, following more detailed design work and further discussion with education provider;**
- (iv) that it be agreed, in principle, for the exclusive use by education provider of the redundant basketball/netball courts on Upton Park and that a final decision be made in accordance with the Constitution following further discussions with the provider; and**
- (v) that it be agreed, in principle, that some of the income from this project be used to finance the refurbishment of the Lower Union Lane Multi Storey Car Park and/or targeted public realm improvements (as set out in the Council's Transformation Strategy for Torbay's Town Centres), subject to Council's subsequent approval of separate business cases for the refurbishment and public realm works.**

Chairwoman

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Meeting: Council

Date: 22 June 2017

Wards Affected: Roundham with Hyde

Report Title: Harbour Light Building, Paignton Harbour

Is the decision a key decision? Yes – Reference I031759

When does the decision need to be implemented? Immediately

Supporting Officer Contact Details: Kevin Mowat, Executive Head of Business Services, Tor Bay Harbour Master, Telephone: 01803 292429 (Ext 2724), Email: Kevin.Mowat@torbay.gov.uk

1. Proposal and Introduction

- 1.1 It is proposed that the Council should fund the redevelopment of an asset at Paignton harbour through the use of the harbour reserve fund and prudential borrowing. The Harbour Light building is an underperforming asset but it has the potential to transform the north side of Paignton harbour. The building, which is mainly occupied by the Harbour Light Restaurant, is a listed building, which is currently used as a restaurant, shops and quayside stores. It has been fully let for many years and produces a modest rental income.
- 1.2 The Harbour Committee has been considering the redevelopment potential of this asset for some time. On the 20th March 2017 the Committee considered an updated business case, provided by the Torbay Development Agency (TDA), following the production of revised architectural drawings, a structural survey and subsequent costings from a chartered quantity surveyor. The TDA were also asked to consider the market position in terms of future use.
- 1.3 Having considered the most recent exempt report (attached as Appendix 1), which included a revised business case and associated supporting information, the Harbour Committee made the following resolution :-

“That the Council be recommended that consideration is given to the redevelopment of the Harbour Light Restaurant in accordance with the Port Masterplan, subject to vacant possession, as set out in the submitted exempt report.”

2. Reason for Proposal

- 2.1 This proposal is being recommended by the Harbour Committee. The Committee's terms of reference include a requirement to provide strategic direction to the Executive Head of Business Services and the Mayor in relation to those assets

within Tor Bay Harbour and the harbour estate that are managed by Tor Bay Harbour Authority.

- 2.2 This opportunity would be in line with the strategy identified in the Council's Port Masterplan by increasing the use and vitality of Paignton harbour, drawing people to the harbour from the beach and the town centre. This will help to make Paignton harbour more sustainable and it also aligns with the emerging Neighbourhood Plan.
- 2.3 In realizing this development potential the Harbour Authority/Council will be maximising the use of one of its buildings, resulting in either a capital receipt or increased revenue, depending on how any deal is structured.
- 2.4 It is also anticipated that a project of this scale will stimulate further investment and regeneration around the area of Paignton harbour.

3. Recommendation(s) / Proposed Decision

- 3.1 That, the Executive Head of Business Services be asked to obtain vacant possession of the Harbour Light building at Paignton harbour.
- 3.2 That Council approve funding of up to £600,000 to redevelop the Harbour Light building and that a contribution of £100,000 should be made from the harbour reserve fund with the balance of the funding obtained through prudential borrowing.
- 3.3 That, the Executive Head of Business Services, supported by the Torbay Development Agency, be asked to secure tenants for the redeveloped building, on favourable terms, which represent best value.

Appendices

Appendix 1 Exempt Harbour Committee Report & Revised Business Case – March 2017

Background Documents

See Harbour Committee exempt report presented to 27 June 2016 meeting -

<http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=188&MId=7089&Ver=4>

Section 1: Background Information

1.

What is the proposal / issue?

It is proposed that the Council should fund the redevelopment of an asset at Paignton harbour through the use of the harbour reserve fund and prudential borrowing over 25 years. The first floor would be refurbished and let as a family friendly pub or licensed restaurant and the ground floor would be refurbished and let as a cafe, without any alcohol being sold, and some retail units. A first floor balcony would be constructed on the eastern end of the building, which would offer a 270 degree view, including Paignton beach, Torquay, Thatcher Rock and out towards the cliffs at Roundham. Activity on this level would be visible from Paignton beach and Paignton Green and this would assist in attracting people to the harbour area.

The redevelopment costs have been estimated at £557,000. A contribution of £100,000 could be made from the Harbour Reserve fund with the balance of £457,000 being met through prudential borrowing. The Council's Port Masterplan has identified the potential for redevelopment of the existing Harbour Light restaurant as being *"achievable, viable and making a positive contribution to tourism, recreational sailing and businesses in Paignton."*

References in this report to develop and redevelop do not mean the demolition of the build (it is listed and of historic value); they mean to reconfigure the existing building. In property terms "develop" and "redevelop" mean to invest in the building and to create a new use or uses and this is precisely what is meant in this report.

2.

What is the current situation?

The Harbour Light Restaurant building is a Grade II listed building. It was listed in March 1951, and English Heritage's details of the building suggest that it probably dates from the 17th century and was most likely built as fish cellars and net stores associated with the seine fishing industry.

The Harbour Light building is an underperforming asset but it has the potential to transform the north side of Paignton harbour. The building, which is mainly occupied by the Harbour Light Restaurant, is a listed building, which is currently used as a restaurant, shops and quayside stores. It has been fully let for many years and produces a modest rental income. The building is in need of some significant maintenance, including external repairs & painting, as well as further fire proofing measures and the installation of a fire detection and alarm system. This level of investment in the asset is expected to cost between £50k and £100k

The Harbour Committee has been considering the redevelopment potential of this asset for some time. On the 20th March 2017 the Committee considered an updated business case, provided by the Torbay Development Agency (TDA), following the production of revised architectural drawings, a structural survey and subsequent costings from a chartered quantity surveyor. The TDA were also asked to consider the market position in terms of future use.

This opportunity would be in line with the strategy identified in the Port Masterplan by increasing the use and vitality of Paignton harbour, drawing people to the harbour from the beach and the town centre. This will help to make

	Paignton harbour more sustainable and it also aligns with the emerging Neighbourhood Plan.
3.	<p>What options have been considered?</p> <p>Other options for the Harbour Light building that were considered include the following :-</p> <ul style="list-style-type: none"> • Freehold disposal – this would be incompatible with the management of the harbour estate as the Council would lose control of the area. • Redevelop the building and dispose on a long lease to a single use restaurant occupier – the flood risk in this area is unlikely to permit alcohol sales on the ground floor. • Do nothing – the building needs maintenance in any event, including external repairs & painting, as well as further fire proofing measures and the installation of a fire detection and alarm system. This level of investment in the asset would fall between £50k and £100k and could result in a renegotiation of the existing leases with a possible uplift in rental income. However, this option will not improve the tourism offer in the area and/or increase footfall.
4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>This proposal will clearly support the Council's Corporate Plan ambition for a 'Prosperous' Torbay as it represents further investment on the waterfront.</p> <p>This proposal will support the following principle within the Council's Corporate Plan:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect <p>This proposal will also support two of the Council's Corporate Plan Targeted Actions:</p> <ul style="list-style-type: none"> • Working towards a more prosperous Torbay • Ensuring Torbay remains an attractive and safe place to live and visit
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>The proposals to refurbish the Harbour Light Restaurant building have been consulted on and discussed as part of the public consultation for the Tor Bay Harbour Port Masterplan, including public events in October 2012 and February 2013.</p> <p>Following the Harbour Committee meeting in December 2013 the Executive Head of Tor Bay Harbour Authority wrote to each of the tenants informing them of the Council's intentions.</p> <p>In 2014 the TDA met with various tenants on site. This development opportunity has also been discussed at several meetings of the Torquay & Paignton</p>

	<p>Harbour Liaison Forum. A consultation meeting was held with tenants and other stakeholders at Paignton Sailing Club on Monday 15th December 2014.</p> <p>Further reports on this development opportunity were presented to the Harbour Committee in June 2016 and March 2017. All of the existing tenants were advised of the outcome of the March Harbour Committee meeting by way of a letter in April 2017.</p> <p>Redevelopment of the building will require planning consent and this process will involve further public consultation.</p>
6.	<p>How will you propose to consult?</p> <p>See section 5 above.</p>

Section 2: Implications and Impact Assessment

7.	<p>What are the financial and legal implications?</p> <p>At present the building is fully let and produces a total gross income to the Harbour Authority of £19,270 pa. Assuming that the works set out in the revised Business Case (see Appendix 1) are carried out to the building, the new rental value that can be expected would be in the order of £41,000 pa.</p> <p>The redevelopment costs have been estimated at £557,000. A contribution of £100,000 could be made from the Harbour Reserve fund with the balance of £457,000 being met through prudential borrowing.</p> <p>On the assumption that every £1m of prudential borrowing equates to an annual payment of £75,000 for 25 years, £457,000 of borrowing equates to an annual finance cost of £34,275. The rent of £41,000 will cover the finance costs and leave a balance of £6,725, which will result in a net loss of rent of circa £12,500.</p> <p>Rental income will be lost during the redevelopment period.</p> <p>All of the existing tenants will need to vacate the premises and they will be entitled to statutory compensation under the Landlord & Tenant Act 1954.</p> <p>On completion the new development should increase the rateable value of the building and this will help the Council's overall income in future years.</p> <p>The Council, as the landlord, will need to follow the appropriate legal process under the Landlord & Tenant Act 1954 to gain vacant possession of the building.</p>
8.	<p>What are the risks?</p> <p><u>If the recommendation is not approved:</u></p> <ul style="list-style-type: none"> • That the existing tenant(s) seek legal advice and decide to renew their protected leases. The Council would only be able to refuse an application for a new lease if it can demonstrate serious intent to redevelop the premises and that it could not reasonably do so without recovering possession. • The status quo would continue. The Council would continue to be responsible for the external repairs to the building and the existing uses would continue namely a restaurant, shop and six stores. The income

	<p>level would be broadly similar to the existing levels, although it might be possible to secure an increased rent when new leases are granted.</p> <ul style="list-style-type: none"> • The Council could be criticised for not following through on the aspirations set out in the Port Masterplan; the public might suggest that the consultation was in vain. • The Council is accused of not managing its assets efficiently. • The existing tenants of the shop and restaurant might decide to surrender their lease instead of renewing it. The Council would then need to find a new tenant who would most likely negotiate a rent-free period or require that the landlord carry out some works to modernise the premises. There might be a rental void (no income) during this period. • The Council will need to undertake significant maintenance work on the asset, including external repairs & painting, as well as further fire proofing measures and the installation of a fire detection and alarm system. This work is expected to cost between £50k and £100k <p><u>If the recommendation is approved:</u></p> <ul style="list-style-type: none"> • The tenants apply for a new lease under the Landlord and Tenant Act 1954 and the courts grant them a new lease due to the courts deciding that there is insufficient intent on the part of the landlord to carry out the works. This can be overcome by obtaining planning consent. • If vacant possession were not obtained through the Landlord and Tenant Acts then a financial arrangement would have to be agreed with the tenants. This risk should, with proper management, be totally mitigated.
<p>9.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>Not applicable.</p>
<p>10.</p>	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>The TDA have had a number of meetings and discussions with a local property agents, including inspecting part of the premises and the wider area. The advice they have received has been consistent with regards to the likely level of interest, rents and investment yields. Feedback has indicated that the licenced property market has seen increased demand in recent years.</p> <p>The local agent confirmed with the TDA that national pub / restaurant operators are highly unlikely to be interested in taking just the first floor premises; they would need the ground floor as well and need to sell alcohol from the ground floor. Unfortunately, this is not possible due to the inability to secure the sale of alcohol in a flood risk zone. However, the agents have advised that there are some established and successful regional restaurateurs that might be interested in a first floor only option.</p> <p>The agents' advice is that the first floor is likely to appeal as a destination restaurant for lunch and dinner and as such, a coffee shop on the ground floor should work as it would not conflict with the first floor business. Retail uses already exist at ground floor level and the TDA believe that refurbished units will</p>

	add to the vitality of the area and increase the variety of the offer. Furthermore, these uses will not conflict with the proposed first floor pub / restaurant.
11.	<p>What are key findings from the consultation you have carried out?</p> <p>Consultation undertaken as part of the Port Masterplan process and emerging Neighbourhood Plan has demonstrated support for this kind of redevelopment in the Paignton harbour area.</p> <p>Understandably, a number of the existing tenants are concerned that they may not be able to find alternative premises.</p>
12.	<p>Amendments to Proposal / Mitigating Actions</p> <p>There are limited options for all of the tenants that will need to move out of the building so that the Council can gain vacant possession. All of the tenants should be entitled to statutory compensation under the Landlord & Tenant Act 1954. Furthermore, the tenants will be entitled to submit bids for occupation of the refurbished building in new units. However, storage units will not be replaced. The stores are currently occupied by local passenger boat operators and a fisherman. Similar stores do not exist at Brixham or Torquay harbour for passenger boat operators and the businesses can function without any difficulties. Storage units for fishermen are always limited in any event and many local fishermen manage without stores on the harbourside. Some new stores might be created if and when the south side of Paignton harbour is redeveloped.</p>

Equality Impacts

13	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people			There is no differential impact
	People with caring Responsibilities			There is no differential impact
	People with a disability			There is no differential impact
	Women or men			There is no differential impact
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			There is no differential impact
	Religion or belief (including lack of belief)			There is no differential impact
	People who are lesbian, gay or bisexual			There is no differential impact
	People who are transgendered			There is no differential impact
	People who are in a marriage or civil partnership			There is no differential impact
	Women who are pregnant / on maternity leave			There is no differential impact

	Socio-economic impacts (Including impact on child poverty issues and deprivation)			There is no differential impact
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			There is no differential impact
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	N/A		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	N/A		



Meeting: Council

Date: 22 June 2017

Wards Affected: All

Report Title: Transformation Project - Future of Palace Avenue Theatre, Paignton

Is the decision a key decision? Yes

When does the decision need to be implemented? As soon as possible

Executive Lead Contact Details: Councillor Nicole Amil, Executive Lead Culture email: Nicole.amil@torbay.gov.uk

Supporting Officer Contact Details: Fran Hughes, Assistant Director (Communities and Customer Services) Tel: 01803 208002 email: frances.hughes@torbay.gov.uk

1. Proposal and Introduction

- 1.1 As part of the 2017/18 budget development the future of the Palace Theatre was considered. Owing to the ongoing financial challenges which operating a small theatre presents a review was undertaken and it was determined that the council would seek an external partner to operate the Theatre to secure its future as a community theatre. The current theatre operation creates a budget pressure to the council with a regular annual overspend of circa £40k per annum. The Council set a budget reduction target of £20k per annum for the Theatre operation and offered the Theatre via a procurement process in Spring 2017.
- 1.2 The tender process has been undertaken and there was one bid which was compliant. This bid has been evaluated and offers the council an opportunity to secure the long term future of the Theatre as a going concern. It is this tender which officers have determined as a preferred bidder and Elected Members now need to consider whether they wish to go forward with this proposal.

2. Reason for Proposal

- 2.1 The council determined that it wished to see a financial saving from the future operation of the Palace Theatre. In order to achieve this the Theatre was offered as a tender and a preferred supplier has been identified. However, the preferred supplier is not offering a guaranteed rental income, only a share of the profits, if there are any. This and the financial saving requirements mean that the Council must now determine a preferred direction of travel.

3. Recommendation(s) / Proposed Decision

- 3.1 That the negotiations continue with the preferred bidder to effect the transfer of the Palace Theatre under a 10 year lease to a new Community Interest Company.
- 3.2 That the Assistant Director (Communities and Customer Services) be give delegated authority to conclude the negotiations with the preferred bidder in consultation with the Executive Lead for Tourism, Culture and Harbours.

Appendices

Appendix 1: Supporting Information and Impact Assessment

Background Documents

None

Section 1: Background Information

1. What is the proposal / issue?

As part of the 2017/18 budget development the future of the Palace Theatre was considered. Owing to the ongoing financial challenges which operating a small theatre presents a review was undertaken and it was determined that the council would seek an external partner to operate the Theatre to secure its future as a community theatre.

The tender process has been undertaken and there was one bid which was compliant. This bid has been evaluated and offered the council an opportunity to secure the long term future of the Theatre as a going concern. It is this tender which officers have determined as a preferred bidder and Elected Members now need to consider whether they wish to go forward with this proposal.

The preferred bidder is proposing to:

- Create a Community Interest company to run the palace Theatre as a community theatre;
- Lease the building for the council for a 10 year period;
- Offer the council the opportunity of profit, in lieu of rent, and also share any profit with the Culture Board to support the wider cultural offer in Torbay.

The proposal has some issues which still need to be resolved as the nature of the bid requires a new legal entity to be established. The council will need to work with the preferred bidder to ensure that the project can go forward appropriately. It is anticipated that the earliest possible date of transfer to the new provider would be 1st October 2017.

2. What is the current situation?

- The current theatre operation creates a budget pressure to the council with a regular annual revenue overspend of circa £40k per annum. There are also ongoing pressures on the repairs and maintenance budget. The Council set a revenue budget reduction target of £20k per annum for the Theatre operation and offered the Theatre via a procurement process in Spring 2017.
- The theatre has had inconsistent management for a number of years, and has failed to achieve its potential in terms of income generation. Over the last 2 years there have been four different managers in post. The Theatre is also in need of investment, and basic facilities such as the box office bookings and backstage equipment need to be updated and there is a regular call on the limited repairs and maintenance budget.
- Operating a Theatre is not Council core business and given current

	<p>resource constraints is a very challenging facility to operate, when there are commitments which need to be honoured with third parties, and HR process are not flexible enough to respond. Programming at the Theatre has also been inconsistent over many years and has not kept pace with the need to diversify and enhance the local cultural offer.</p> <ul style="list-style-type: none"> • The Theatre current derives an income which supports its costs from a third party lease to ROC who rent space within the Theatre building. Income from this arrangement is £37k per annum. In addition there is a theatre residency for the Doorstep Arts, who coordinate their activities from with the Theatre, and assist in the reputational management and programming arrangements.
<p>3.</p>	<p>What options have been considered?</p> <p>1. The Council could continue to operate the Theatre directly. However, this would not realise the savings requested and will place an additional resource strain on the Culture and Events Team. If this was to be an option then the Council would need to recruit a permanent manager for the Theatre and review the entire business model including resources commitment in terms of staffing and repairs and maintenance. This would have a cost to the council as investment would be needed in the short, medium and long term.</p> <p>Advantages</p> <ul style="list-style-type: none"> • Retains the Theatre in Paignton as a community theatre; • Staff would be retained; • In line with the cultural ambition for Torbay and supports the current investment by the Arts Council in Torbay; • Existing stakeholder support; <p>Disadvantages</p> <ul style="list-style-type: none"> • Ongoing budget pressure to the council; • Existing savings target identified cannot be achieved; • Lack of management capacity to support the Theatre; • Increasing costs of repairs and maintenance; • Investment required; • Not core business of the council. <p>2. The Council could close the Theatre. This would result in the Theatre being closed to performances and all the staff being made redundant leaving an empty building. If the Theatre was to be closed, there is an assumption that the Theatre would be placed on the market and sold, which would offer the council the opportunity of capital receipt. As this would be a significant service change then a public consultation would be required.</p> <p>Advantages</p> <ul style="list-style-type: none"> • Direct cost saving to the Council; • Opportunity to sell the building for a capital receipt; • Potential for purchase to redevelop the site; • No ongoing financial liability for the Council.

	<p>Disadvantages</p> <ul style="list-style-type: none"> • Reputational damage to the council; • Loss of stakeholder confidence in the Council; • Relationship damage with the Arts Council; • Another empty building in Paignton unless a buyer can be found; • Ongoing repairs and maintenance liability until a buyer is found; • Staff would be made redundant. <p>3. The council could mothball part of the Theatre. This would result in the Theatre being closed to performances and all the staff being made redundant leaving a largely empty building. However, the Council could honour the existing tenants at will arrangement and still derive an annual income of circa £37k.</p> <p>Advantages</p> <ul style="list-style-type: none"> • Direct cost saving to the Council; • There is still a residual use for the building; <p>Disadvantages</p> <ul style="list-style-type: none"> • Reputational damage to the council; • Loss of stakeholder confidence in the Council; • Relationship damage with the Arts Council; • Ongoing repairs and maintenance liability; • Staff would be made redundant.
	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>Ambitions: Prosperous and Healthy Torbay</p> <p>Principles:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect <p>Targeted actions:</p> <ul style="list-style-type: none"> • Working towards a more prosperous Torbay • Ensuring Torbay remains an attractive and safe place to live and visit • Protecting and supporting vulnerable adults
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>As the recommendation is to pursue the preferred supplier which would keep the Theatre open as a Theatre, then there is no need to formally consult external stakeholders. All stakeholders were aware of the decision to offer the Theatre as a tender, but the outcome has yet to be shared with them, pending a decision of this Council. There will be a requirement to consult the Theatre employees as part of the legal requirements of TUPE as the staff will transfer to the new provider.</p>
6.	<p>How will you propose to consult?</p> <p>Consultation on the preferred options will be through the councils HR policies with staff.</p>

Section 2: Implications and Impact Assessment

<p>7.</p>	<p>What are the financial and legal implications?</p> <p>Financial</p> <ul style="list-style-type: none"> • The preferred supplier offers the council the opportunity of a share of the profits made by the Community interest Company if any profits are generated for the terms of the lease; • As there is no rent being paid, then Council need to consider whether this is compliant with the principle of achieving a market rent wherever possible; • There is the potential for redundancy costs associated with Council not supporting the recommendation; • There is limited risk with moving to the preferred bidder as should the project fail then the Council would still own the Theatre and a later decision on its future could be made. <p>Legal</p> <ul style="list-style-type: none"> • A lease will need to be drawn up with the new community interest company for a 10 year period.
<p>8.</p>	<p>What are the risks?</p> <p>If the proposal is not implemented then the Council will need to determine the long term future of the Theatre as outlined in the options in section 3 of this report. This will need to be agreed swiftly as the current uncertainty around the future of the Theatre is damaging its reputation and the ability to retain staff and relationships with stakeholders. If a decision is made to close/partially close the Theatre then a mutually agreed date for closure must be established as the Theatre has pre-existing commitments which will need to be taken into account and staff retention will be a significant issue.</p>
<p>9.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>The theatre has been offered to the market via a procurement process, and the market has only returned one compliant bid. Progressing with this bid will not require further consultation, but if any of the alternative options are considered then further consultation will be required.</p>
<p>10.</p>	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>See details above. The specification on for the tender was written to give all prospective applicants the best opportunity to apply and advice was sort from the TDA and the Theatres Trust in the development of the specification.</p>
<p>11.</p>	<p>What are key findings from the consultation you have carried out?</p> <p>The decision to offer the Theatre as a tender was taken as part of the 2017/18 budget preparation process and was included in the Mayors consultation. There</p>

	<p>was no adverse feedback received on this matter and stakeholders have been kept inform of process. The Culture Board have expressed their views on the tender process:</p> <p>“The Torbay Culture Board is in full support of Torbay’s Council’s quest to secure a sustainable way forward for the Palace Theatre as a performing arts venue. The Palace is central to the Board and our partners’ plans to regenerate the Paignton square area and around Winner Street, not least via the recent decision to invest £1.2m into Torbay via the Great Places Scheme from Heritage England, Arts Council England and Historic England. However, it will only serve as a hub for regeneration through embedding culture as a community theatre. As a Board, I can pledge that we will impart the considerable and diverse expertise from our members in helping successful bidders who wish to retain and develop the Palace as a community performing arts venue. This would include advising on sources of funding for improvements to the facilities over a planned schedule and access to our many cultural networks regionally and nationally to maximise best practice.”</p> <p>The Arts Council have previously given a view that the venue is important for the locality given that it offers a different scale and greater range of opportunities for participants, artists and audiences and the is referenced in the Great Places Grant Funding plans. The real strength though is in the potential for it being a local hub and the opportunities that it could offer.</p>
<p>12.</p>	<p>Amendments to Proposal / Mitigating Actions</p> <p>The officer recommendation is to conclude the tender process with the preferred bidder.</p>

13	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people			Recommendation secures the long term future of the Theatre
	People with caring Responsibilities			Recommendation secures the long term future of the Theatre
	People with a disability			Recommendation secures the long term future of the Theatre
	Women or men			Recommendation secures the long term future of the Theatre
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			Recommendation secures the long term future of the Theatre
	Religion or belief (including lack of belief)			Recommendation secures the long term future of the Theatre
	People who are lesbian, gay or bisexual			Recommendation secures the long term future of the Theatre
	People who are transgendered			Recommendation secures the long term future of the Theatre
	People who are in a marriage or civil partnership			Recommendation secures the long term future of the Theatre
	Women who are pregnant /			Recommendation secures the

	on maternity leave			long term future of the Theatre
	Socio-economic impacts (Including impact on child poverty issues and deprivation)			Recommendation secures the long term future of the Theatre
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			Recommendation secures the long term future of the Theatre
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	None known		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	None known		



Meeting: Council

Date: 22 June 2017

Wards Affected: All Wards

Report Title: Transformation Project - Future direction of the Council's relationship with Torbay Leisure Centre

Is the decision a key decision? Yes

When does the decision need to be implemented? As soon as possible

Executive Lead Contact Details: Councillor Robert Excell, Executive Lead for Community Services, Robert.excell@torbay.gov.uk

Supporting Officer Contact Details: Frances Hughes, Assistant Director Community & Customer Services, (01803) 208002, frances.hughes@torbay.gov.uk

1. Proposal and Introduction

- 1.1 Torbay Leisure Centre is operated by Parkwood Leisure. The current agreement ceases in 2019 and the Council pays an annual management fee for the provision of the facilities. The current management agreement ceases in April 2019 and the fee is £169,400 per annum. A review of the existing arrangements has been undertaken as part of the Council's transformation Programme (TP18).
- 1.2 The current arrangement presents the Council and Torbay Leisure Centre with a number of immediate challenges:
 - The current management agreement ceases in 2019 and the Council needs to consider how it sustains the Leisure Centre after this date.
 - The Council has yet to formally declare its intentions for the future of Torbay Leisure Centre yet there are less than two years remaining on the management agreement.
 - The Council also directly manages the Velopark which is immediately adjacent to Torbay Leisure Centre. Any future arrangements should consider the future of the Velopark as a shared facility within the ongoing arrangements.
- 1.3 This report details the outcome of several discussions with the current operator, Parkwood Leisure and seeks an agreed direction of travel to secure the sustainability of the provision for the benefit of Torbay residents.

2. Reason for Proposal

- 2.1 The future of Torbay Leisure Centre needs to be determined due to the management agreement ceasing in April 2019.
- 2.2 There is an immediate opportunity to make a saving to the Council's revenue budget by changing the arrangement with the current provider.

3. Recommendation(s) / Proposed Decision

- 3.1 That the Council enters into a new lease with Parkwood Leisure for the provision of the Torbay Leisure Centre and the Velopark until 2029.
- 3.2 That from the point of transfer to the new arrangements to the end of the term, no management fee is payable by the Council.
- 3.3 That the new arrangements include the operation and management of the Velopark and the TUPE of existing Velopark staff.
- 3.4 That the Council provides a £1.7 Million loan to Parkwood Leisure through prudential borrowing for investment projects to improvement the building, increase revenue generation, modernise and improve the facilities and improve customer satisfaction.
- 3.5 That the final terms of the lease and loan arrangements are delegated to the Assistant Director (Communities and Customer Services) in consultation with the Executive Lead for Community Services and the Section 151 Officer.

Appendices

- Appendix 1: Supporting Information and Impact Assessment
- Appendix 2: FMG consultant review of Torbay Leisure Centre (exempt)
- Appendix 3: Council financial model (exempt)
- Appendix 4: Business plan/proposal from Parkwood Leisure (exempt)

Background Documents

None

Appendix 1: Supporting Information and Impact Assessment

Section 1: Background Information	
1.	<p>What is the proposal / issue?</p> <p>The proposal is to enter into a new lease with Parkwood Leisure for both Torbay Leisure Centre and the adjacent Velopark and loan Parkwood Leisure (via prudential borrowing) the sum of £1.7Million to improve the facilities. Through this arrangement the Council will not pay an annual management fee and will make additional savings to maintenance contracts, and an uplift on the interest on the prudential borrowing (see Appendix 3). There is no cost to the Council of transferring the Velopark in the proposed model.</p> <p>The summary of the proposals are:</p> <ul style="list-style-type: none"> • To enter into a lease for Torbay Leisure Centre and the Velopark until 2029; • The Council to contract with Parkwood Leisure and allow a subcontract to their Trust provides (Lex Leisure); • That there is no management fee payable from the council from the point of transfer to the trust partner to the end of the term (2029). The transfer to the Trust is assumed from October 2017, and this provides a revenue saving from this point and for the remaining period of the contract to 2029. • The operations will include the operation and management of the Velopark (including the TUPE transfer of staff) and the booking processes associated with the grass pitches at Clennon Valley. • That the Council provides £1.7 Million Prudential borrowing for investments projects in the building to improve revenue generation, modernise and improve the building to improve customer satisfaction; • That borrowing will be available from 2018/19 and the payment if the borrowing will commence in 2019/20. • The Prudential Borrowing capital and interest to be paid by Parkwood Leisure. • The car park is excluded from the proposal and will remain with Torbay Council. • The Council's payment to the BCF for the Velopark loan has been included in the proposals.
2.	<p>What is the current situation?</p> <p>Torbay Leisure Centre is operated by Parkwood Leisure on behalf of the Council. Parkwood have a protected lease which runs until 2019. The Council currently pays an annual management fee £169,400 per annum for the provision of the facilities. The immediately adjacent Velopark is operated directly by the Council and has an outstanding sum related to prudential borrowing associated with it and currently is a budget pressure to the Council.</p>

	<p>A review of Torbay Leisure Centre was undertaken earlier in the year as part of the Transformation Programme and the report is tabled for information as Appendix 2.</p> <p>Parkwood Leisure have submitted a proposal to operate the Leisure Centre and the adjacent Velopark at a nil cost to the Council from the point of transfer until 2029. This would require the surrender of the existing lease and a new lease issued until 2029 (Appendix 4).</p> <p>The proposal from Parkwood Leisure would secure substantial revenue savings to the Council, and the Council would not require a management agreement from the point of transfer as all requirements would be dealt with under the terms of a new lease.</p>
<p>3.</p>	<p>What options have been considered?</p> <p>(i) The Council could offer Torbay Leisure Centre and/or the Velopark as a formal tender to the open market. This would need to be a process compliant with EU OJeU procurement rules. This process would need to commence as soon as reasonably practicable, and would take a minimum of 12 months to conclude and incur a cost the Council of running this process. The anticipated outcome of the process is that a new provider would be secured at a substantially reduced or zero management fee, however, this is not a guaranteed outcome.</p> <p>(ii) The Council could retain the Velopark as a directly managed service. Although theoretically possible, with reducing Council resources this will remain difficult to staff as there were insufficient staff resources allocated to operate this facility at inception and there is no flexibility to cover staff absence in the current model.</p> <p>(iii) The Council could opt to close the Leisure Centre and/or Velopark. This is not considered a viable option as this is the only dedicated leisure facility in Torbay and is well used by residents and visitors. The provision of this type of facility aids the Council's encouragement of participation in activity and contributes to the overall health of the population in Torbay. The Velopark also has an outstanding prudential borrowing sum associated with it.</p>
<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>This proposal supports the ambitions by:-</p> <ul style="list-style-type: none"> • Using reducing resources to best effect; • Working towards a more prosperous Torbay; • Ensuring Torbay remains an attractive and safe place to live, visit and work.

<p>5.</p>	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Torbay Council Elected Members need to agree the proposal and recommended direction of travel.</p> <p>Parkwood Leisure have already been consulted as detailed in the report.</p> <p>Torbay Council staff at the Velopark will need to be consulted as part of the TUPE requirements.</p> <p>The British Cycling Federation will need to be consulted and give their consent for the Council to lease to Parkwood for the existing use. Formal permission has already been sought.</p>
<p>6.</p>	<p>How will you propose to consult?</p> <p>See above.</p>
<p>Section 2: Implications and Impact Assessment</p>	
<p>7.</p>	<p>What are the financial and legal implications?</p> <p><u>Legal Implications</u></p> <p>There is an existing protected lease and concurrent management agreement with the Torbay Leisure Centre which ceases in April 2019. The proposal is to enter into a new full repairing and insuring lease from the intended date of transfer of 1st October 2017 until 2029 for both Torbay Leisure Centre and the Velopark.</p> <p>By offering the Leisure Centre and the Velopark as a lease a formal procurement is not required. The lease will be with the existing provider, Parkwood Leisure, who will then sublease to their Trust provider.</p> <p>This type of arrangement has been undertaken by other local authorities and appropriate due diligence has been undertaken.</p> <p>The Council currently owns and operates the Velopark and can therefore determine how it wishes to operate this facility in the future.</p> <p><u>Financial Implications</u></p> <p>The proposal from Parkwood Leisure offers the Council the opportunity to offer a lease until 2029 at a zero management fee. This would incorporate the Velopark into the same arrangement. The Centre needs investment and the proposal seeks a capital loan from the Council to deliver this investment.</p>

	<p>By combining the Leisure Centre and the Velopark there will be a saving in 2018/19 of £325,400 and thereafter an annual saving of £285,400. If the transfer happens within 2017/18 then additional savings will accrue during the current financial year.</p> <p>Part of the new agreement will be the Council agreeing to loan Parkwood £1.7 Million to secure the upgrade of the facilities. The rate at which the Council will loan the money has been set at a level which does not affect with state aid. Any risk associated with the prudential borrowing will be managed through treasury management processes.</p> <p>The loan being sort is over a 25 year period although the lease being proposed is for 11.5 years. The loan would be secured against the building which remain in the Council's ownership and any repayments renegotiated as part of any ongoing arrangements.</p>
8.	<p>What are the risks?</p> <p>(i) If the Council fails to make a decision at this meeting and defers, then the timescale for savings to accrue will also slip.</p> <p>(ii) If the Council determines that it does not want to support the recommendation then the alternative is to undertake an OJEU complaint procurement, and tender for a new service provider. Parkwood Leisure may or may not tender for the service, and the financial offer from Parkwood or another provider may not match the proposal which has been currently negotiated.</p>
9.	<p>Public Services Value (Social Value) Act 2012</p> <p>N/A</p>
10.	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>Appendix 1: Supporting Information and Impact Assessment Appendix 2: FMG consultant review of Torbay Leisure Centre (exempt) Appendix 3: Council financial model (exempt) Appendix 4: Business plan/proposal from Parkwood Leisure (exempt)</p>
11.	<p>What are key findings from the consultation you have carried out?</p> <p>The findings are detailed throughout this report.</p>
12.	<p>Amendments to Proposal / Mitigating Actions</p> <p>N/A</p>

Equality Impacts

13	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	People with caring Responsibilities			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	People with a disability			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	Women or men			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	Religion or belief (including lack of belief)			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	People who are lesbian, gay or bisexual			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	People who are transgendered			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	People who are in a marriage or civil partnership			The proposal will secure the future of the Leisure Centre and the Velopark until 2029

	Women who are pregnant / on maternity leave			The proposal will secure the future of the Leisure Centre and the Velopark until 2029
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	The proposal will secure the future of the centre until 2029 and improve the facilities on offer through a capital investment		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	The proposal will secure the future of the centre until 2029 and improve the facilities on offer through a capital investment		
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	None known		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	None known		



Meeting: Council

Date: 22 June 2017

Wards Affected: All Wards

Report Title: Transformation Project – Housing Companies Policy Framework Document

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Supporting Officer Contact Details: Caroline Taylor, Director of Adults and Transformation (Housing-client side), 01803 208949, caroline.taylor@torbay.gov.uk

1. Introduction

- 1.1 On 22 September 2016, Council agreed the principle of setting up a new wholly owned company to develop and own homes, with the overarching aim of maximising income back to the Council, as well as supporting the objectives of the Council's Housing Strategy. Council approved the use of funding to undertake necessary further due diligence in order to progress the proposal.
- 1.2 Subsequently on 24 February 2017, Council agreed to the establishment of three new companies limited by shares: (i) a Holding Company (HoldCo), (ii) a Housing Development Company and (DevCo) (iii) a Housing Rental Company (RentCo), which is currently in progress.
- 1.3 The Holding Company will be wholly owned by the Council and, as the name suggests, act as a holding company for the Council's interest in the Housing Development Company, and Housing Rental Company as well as any other companies that the Council decided in the future to include within the Holding Company group.
- 1.4 This report comes to Council for approval of the Policy Framework document for DevCo and RentCo.
- 1.5 Officers in conjunction with the 'Housing Group' have developed an officer proposed Policy Framework document for DevCo and RentCo, this version has been subject to early input from Overview and Scrutiny via a 'Task and Finish Group'.
- 1.6 The Mayor has had the opportunity to consider the officer proposed Policy Framework document and is subsequently presenting a Mayoral Proposal (Appendix 2).

2. Reason for Proposal

- 2.1 To progress the Housing Company and Development Company proposals.

3. Mayoral Recommendation (s) / Proposed Decision

- 3.1. That the Housing Company Policy Framework document set out at Appendix 2 to the submitted report be approved.

4. Officer Recommendation(s) / Proposed Decision

- 4.1 That the Housing Company Policy Framework document set out at Appendix 3 to the submitted report be approved.
- 4.2. That a Housing Company Committee be created, with the Terms of Reference as set out in Appendix 4. The Committee to comprise of seven Members and that the Special Responsibility Allowance (SRA) for the Chairman of the Committee be £3,405 subject to consultation with the Independent Remuneration Panel.
- 4.3. That Council grant to HoldCo working capital of £500,000 in the form of a loan - the terms of which to be agreed by Assistant Director of Corporate and Business Services and the Head of Finance.
- 4.4 The Council Asset Management Plan be amended so as to include the following;
Where the Council proposes to dispose of land to HoldCo, RentCo or DevCo these shall be decisions for Full Council to take as part of the approval of each Business Case.
- 4.5 Council to approve £50m of Prudential Borrowing to facilitate the work of RentCo and DevCo with the developments/phases being approved by the Housing Company Committee to draw down against this amount.
- 4.6 That the HoldCo Board shall be comprised of the following Directors, namely;
- i) Three Council Members, one from each of the Political grouping, i.e. Conservative, Liberal Democrats and Independents, to be appointed by Group Leaders,
 - ii) Three Non-Executive Directors,
 - iii) The Executive Directors of the subsidiary companies.

Appendices

- Appendix 1 - Supporting Information and Impact Assessment
Appendix 2 – Housing Companies Policy Framework – Mayoral Proposal
Appendix 3 – Housing Companies Policy Framework – Officer Proposal
Appendix 4 – Housing Company Committee Terms of Reference
Appendix 5 – Mayoral Record of Decision

Background Documents

Report to Council – Transformation Project – Generating Income through Housing dated 22 September 2016

Report to Council – Transformation Project – Generating Income through Housing dated 23 February 2017

Supporting Information and Impact Assessment

Service / Policy:	Transformation
Director / Assistant Director:	Caroline Taylor

Version:	1.0	Date:	June 2017	Author:	Caroline Taylor
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Section 1: Background Information

1.

On 22 September 2016, Council agreed the principle of setting up a new wholly owned company to develop and own homes, with the overarching aim of maximising income back to the Council, as well as supporting the objectives of the Council’s Housing Strategy. Council approved the use of funding to undertake necessary further due diligence in order to progress the proposal.

Subsequently on 24 February 2017, Council agreed to the establishment of three new companies limited by shares: (i) a Holding Company (HoldCo), (ii) a Housing Development Company (DevCo) and. (iii) a Housing Rental Company (RentCo), which is currently in progress.

The Holding Company will be wholly owned by the Council and, as the name suggests, act as a holding company for the Council’s interest in the Housing Development Company, and Housing Rental Company as well as any other companies that the Council decided in the future to include within the Holding Company group.

The decision taken at Council on the 24 February set out that that a Housing Company Policy Framework document would be presented to Council for consideration in April 2017.

This report comes to Council for approval of a Policy Framework document.

There are two versions of the Policy Framework document appended to this report:

1. A Mayoral proposal - this Policy Framework sets out to only deliver elements of the Council’s Housing Strategy through funds available to the Council for affordable housing. This Policy Framework is clear that the Council will not use the companies (outlined above) to deliver this work – the work will be undertaken, or commissioned by the Council. This Policy Framework document also sets out that the Council will utilise funds available as a result of contributions for affordable housing and will not undertake prudential borrowing.
2. An officer proposal – This Policy Framework document sets out the strategy for the management of RentCo and DevCo including purchases/investments and forms the initial Business Plan of all of the companies (HoldCo, DevCo, RentCo). It is proposed that Council

	<p>approves £50m of Prudential Borrowing to facilitate the work of RentCo and DevCo with the developments/phases being approved by the Housing Company Committee to draw down against this amount.</p> <p>Officers in conjunction with the 'Housing Group' have developed the officer proposal, this version has been subject to early input from Overview and Scrutiny via a 'Task and Finish Group'.</p> <p>The Mayor has had the opportunity to consider the officer proposal and is presenting a Mayoral Proposal.</p>
	<p>What is the current situation?</p> <p>This is a new proposal for the Council.</p>
3.	<p>What options have been considered</p> <p>Please see section one as above – two options are being proposed:</p> <ol style="list-style-type: none"> 1. Proposal Policy Framework One – Mayoral Proposal. 2. Proposal Policy Framework Two – Officer Proposal.
4.	<p>How does this proposal support the ambitions and principles of the Corporate Plan 2015-19?</p> <p>Ambitions: Prosperous and Healthy Torbay</p> <p>Principles:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Officers, in conjunction with the 'Housing Group' have developed the Officer Proposal – this document has been subject to early input from Overview and Scrutiny via a 'task and finish' group.</p>
6.	<p>How will you propose to consult?</p> <p>No further consultation is required at this stage.</p>

Section 2: Implications and Impact Assessment

7.	<p>What are the financial and legal implications?</p> <p>Detailed legal, tax and financial advice has been previously received and this was outlined in Appendix 2 to the report considered at Council on 24 February 2017.</p> <p>Proposal Policy Framework One – Mayoral Proposal:</p> <p>The Council will utilise funds available as a result of contributions for affordable housing and will not undertake this work through the housing companies.</p> <p>Proposal Policy Framework Two – Officer Proposal:</p> <p>DevCo:</p> <p>The maximum level of investment for DevCo will be up to £25m at any one time – this will be provided by the Council via a loan facility</p> <p>RentCo:</p> <p>The maximum level of investment for RentCo will be up to £25m at any one time – this will be provided by the Council via a loan facility</p> <p>Working Capital:</p> <p>Working capital/set up funding to cover costs will also need to be provided to HoldCo in the form of a loan from the Council – the terms of which will be specified by the Head of Finance – this will then be distributed to DevCo and RentCo (estimated 50/50 split) - it is proposed that this is £500,000. It should be noted that if schemes are not progressed this would be an abortive cost to the Council.</p> <p>Prudential borrowing drawdowns:</p> <p>DevCo and RentCo will be financed by the Council using prudential borrowing.</p> <p>The Prudential Borrowing will need to be in line with the Councils Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy. The Council and the companies (DevCo & RentCo) will work together to ensure there is appropriate levels of cash flow.</p>
8.	<p>What are the risks?</p> <p>Proposal Policy Framework One – Mayoral Proposal:</p>

	<p>This proposal would limit the work of the Council to only deliver elements of the Council’s Housing Strategy through funds available to the Council for affordable housing – therefore Torbay would be the only location for the delivery of this strategy, and only assets that directly support delivery of the Housing Strategy will be acquired.</p> <p>Proposal Policy Framework Two – Officer Proposal:</p> <p>The officer proposal seeks to reflect a suitable balance between the risks inherent in the types of properties to be acquired / developed and the financial rewards obtainable whilst limiting risks appropriately. In addition, it is proposed that the portfolio of properties being acquired / developed should be diversified in order to spread risks, such diversification principally being across the use and type of properties held.</p> <p>A rigorous assessment of all risks would be required for each business case put forwards by DevCo and for each phase put forward by RentCo.</p> <p>The risks will be measured and an assessment made of the likely future performance of the investment carried out based on the ranges of likely future rental growth and voids of the property and also the projected disposal price or capital value at the end of the period over which the cash flow analysis is being measured.</p> <p>To mitigate against some of the risks outlined above it is proposed that the Head of Finance can refer any proposed investment decision (irrespective of value) to Full Council for consideration where they deem this is in the best interest of the Council.</p>
9.	<p>Public Services Value (Social Value) Act 2012</p> <p>N/A – the Council will not be procuring services at this time.</p>
10.	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>Please see Appendix 2 and Appendix 3 – both Policy Framework Documents outline the relevant evidence/data/research gathered to support the proposals outlined.</p>
11.	<p>What are key findings from the consultation you have carried out?</p> <p>N/A</p>
12.	<p>Amendments to Proposal / Mitigating Actions</p> <p>N/A</p>

Equality Impacts

13	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people	No differential impact		
	People with caring Responsibilities	No differential impact		
	People with a disability	No differential impact		
	Women or men	No differential impact		
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>	No differential impact		
	Religion or belief (including lack of belief)	No differential impact		
	People who are lesbian, gay or bisexual	No differential impact		
	People who are transgendered	No differential impact		
	People who are in a marriage or civil partnership	No differential impact		
	Women who are pregnant / on maternity leave	No differential impact		

	Socio-economic impacts (Including impact on child poverty issues and deprivation)	No differential impact
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	No differential impact
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	No differential impact
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	No differential impact



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June 2017

Housing Companies – Policy Framework
Document

Mayoral Proposal

Housing Companies – Policy Framework Document

1. Objective

Whilst Full Council have previously made the decision to establish new companies, Rent Co and Dev Co to directly deliver development and rental properties, the inherent level of risk and volatility in the housing market and the consequent risk that this may place on the Council's financial position means that this Policy Framework sets out to limit activity to only deliver elements of the Council's Housing Strategy through funds available to the Council for affordable housing.

This Policy Framework is also clear that the Council will not use the companies to deliver this work – the work outlined in this document will be undertaken by the Council, or commissioned by the Council.

The elements of the Housing Strategy which will aim to be met through the work of the Council will include:

- (i) Increasing the number of affordable homes delivered;
- (ii) Increasing standards in the private rented sector;
- (iii) Provide greater flexibility when dealing with housing needs for local people;
- (iv) Increase the level of adapted accommodation to allow more people with care and support needs to live in specialist housing;
- (v) Unlock stalled sites in and around the town centre to assist with regeneration and increase footfall in the areas town centres; and
- (vi) Assist with regenerating areas of deprivation.

3. Scope

The Council will utilise funds available as a result of contributions for affordable housing and will not undertake prudential borrowing. The Council will undertake the work directly, or commission the same – it will not utilise the housing companies.

4. Location

Torbay will be the only location for the delivery of this strategy.

5. Target Assets

Only assets that directly support delivery of the Housing Strategy will be acquired.



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Officer Proposal

Housing Companies – Policy Framework Document

1.1 Background

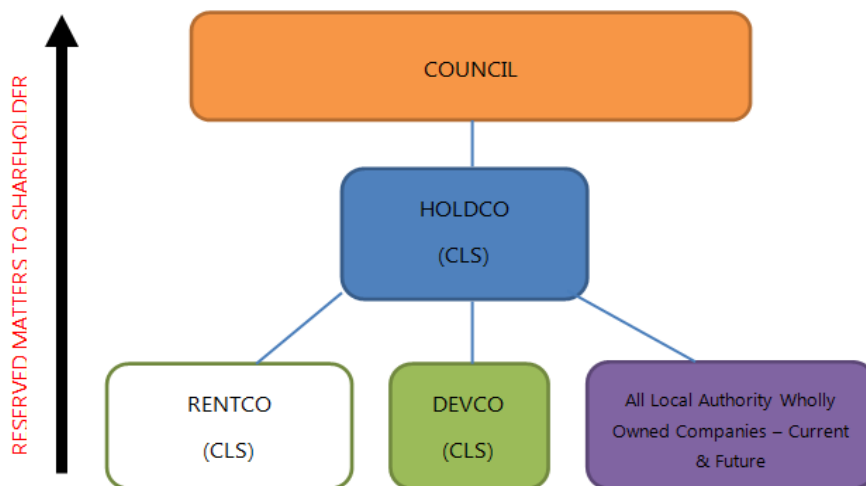
Torbay Council's Efficiency Plan which covers up to the end of 2019/20 sets out that there is an estimated funding gap of £21.5m over the plan period. In order to address the financial challenges over the next few years Torbay Council needs to think of new ways of working.

As part of the Council's Efficiency Plan and Transformation Programme it has been established that the Council will 'deliver projects which will maximise income from investments and services', as a result the Council has adopted a strategic objective of generating additional income sources to replace the resource being lost through the reduction of central government revenue support grant by 2020.

On 22 September 2016, Council agreed the principle of setting up a new wholly owned housing company to develop and own homes with the overarching aim of maximising income back to the Council as well as supporting objectives set out in the Council's Housing Strategy.

Subsequently on 24 February 2017, Council agreed to the establishment of three new companies limited by shares: (i) a Holding Company (**HoldCo**), (ii) a Housing Development Company and (**DevCo**) (iii) a Housing Rental Company (**RentCo**).

The Holding Company will be wholly owned by the Council and, as the name suggests, act as a holding company for the Council's interest in the Housing Development Company, and Housing Rental Company as well as any other companies that the Council decided in the future to include within the Holding Company group. The Council has a number of wholly owned companies, and it is proposed that the Council should organise all of its wholly owned companies under the Holding Company.



This Policy Framework document sets out the strategy for the management of RentCo and DevCo including purchases/investments and forms the initial Business Plan of all of the companies (HoldCo, DevCo, RentCo).

This strategy reflects a suitable balance between the risks inherent in the types of properties to be acquired / developed and the financial rewards obtainable whilst limiting risks appropriately. In addition, the portfolio of properties being acquired / developed should be diversified in order to spread risks, such diversification principally being across the use and type of properties held.

The Current Housing Position

Torbay covers an area of 62.9 square kilometers and has approximately 59,000 households with 50% in Torquay, 37% Paignton and 13% Brixham. The Council does not currently retain any social housing stock.

Detailed statistical information concerning Torbay's housing needs is set out in a November 2015 report produced by the Council entitled 'Torbay Housing and Health Needs Assessment'.

Some of the salient points from that report are:

- There is a higher percentage of home ownership in Paignton and Brixham than the situation in England as a whole¹;
- There is a lower percentage of social rented housing than England as a whole in the 3 towns² (Torquay, Paignton and Brixham);
- There is a significantly higher percentage of private rented accommodation in Torbay than England³;
- The average (median) sale price in Torbay in 2014 was £169,250 (2009 £155,000) ⁴;
- The average (median) sale price in Torbay in 2014 per property type was as follows - Detached £246,000, Semi-detached £179,084, Terraced £150,500, Flats/Maisonettes £112,000 (overall average in 2014: £169,250) ⁵;
- In 2015 the average (median) earnings of Torbay residents who are full time workers were around £5,450 p.a. less than England as a whole at £22,380⁶.
- In 2014, 7.7 times the average (median) annual salary is needed to buy the average priced house in Torbay, higher than the equivalent across England⁷, meaning housing is less affordable in Torbay compared with England ⁷;
- Because of the lower average earnings an increasing number of Torbay residents are living in private rented accommodation;

¹ Census 2011, www.nomisweb.co.uk

² Census 2011, www.nomisweb.co.uk

³ Census 2011, www.nomisweb.co.uk

⁴ Land Registry, House price statistics for small areas, www.ons.gov.uk

⁵ Land Registry, House price statistics for small areas, www.ons.gov.uk

⁶ Annual survey of hours and earnings, www.nomisweb.co.uk, Figures are gross annual pay

⁷ Ratio of median house price to lower quartile earnings, Land Registry and the Annual Survey of Hours and Earnings, Table 577, earnings relate to the respondents place of work rather than place of residence.

⁸ Torbay Council

- In 2015/16, there were 410 net housing completions (additional housing units provided). In the 6 years to 2015/16 there was an average of 360 net housing completions a year in Torbay. (*N.B. These figures are rounded to the nearest 10*)⁸.
- Between 2010/11 and 2015/16 505 affordable homes were delivered in Torbay; and
- The social housing register shows that a rising trend of applicant households – 1,690 in January 2013 rising to 2,266 by March 2017. The greatest need is for 1 bedroom dwellings 56%, 2 bedroom dwellings 26%, 3 bedroom dwellings 12% and 4 bedrooms or more - 6%.

1.2 Objective

2.1 The objectives of the new companies are to:

1. Maximise the return from Council assets and in particular the land that the Council holds;
2. Provide a revenue income to the Council to support other Council services;
3. Enable the delivery of elements of the Council's Housing Strategy which may include:
 - (i) Increase the number of affordable homes delivered;
 - (ii) Increase standards in the private rented sector;
 - (iii) Provide greater flexibility when dealing with housing needs for local people;
 - (iv) Increase the level of adapted accommodation to allow more people with care and support needs to live in specialist housing;
 - (v) Unlock stalled sites in and around the town centre to assist with regeneration and increase footfall in the areas town centres; and
 - (vi) Assist with regenerating areas of deprivation

DevCo:

The objective of the Housing Development Company would be to focus on development of land – initially it is proposed that this would be land acquired from the Council.

The Housing Development Company would not itself have the resources to develop the sites and therefore based on a consideration of the particular site, the Housing Development Company would have to enter into an arrangement with a developer to build the homes and infrastructure required. The land acquired from the Council would be in exchange for a loan note in the amount of its market value with interest charged on the loan note at market rates. The loan note would be repaid on onward sale of the developed land. The loan will come from the Council's approved prudential borrowing.

RentCo:

The Housing Rental Company supports objectives of the medium to long term needs of the Council in that it enables the delivery of elements of the Council's housing strategy and has the ability to produce income back to the council, albeit over a longer period. Other key objectives of the Housing Rental Company would be to increase standards in the private rented sector, and to increase the level of adapted accommodation to allow more people with care and support needs to live in specialist housing.

This Company would purchase properties from the Housing Development Company and third parties for rental.

To ensure the most optimal VAT treatment any rental activities should be kept separate from the development activities in the Housing Development Company. The Housing Rental Company would still be able to sit under the Holding Company structure as described above.

1.3 Scope

DevCo:

The maximum level of investment for DevCo will be up to £25m at any one time – this will be provided by the Council via a loan facility.

RentCo:

The maximum level of investment for RentCo will be up to £25m at any one time – this will be provided by the Council via a loan facility.

Working Capital:

Working capital/set up funding to cover costs will also need to be provided to HoldCo in the form of a loan from the Council – the terms of which will be specified by the Head of Finance – this will then be distributed to DevCo and RentCo (estimated 50/50 split).

Any of the companies is free to try and source alternative funding. However, the decision to issue share capital and/or to take out loans would be a matter reserved to the Council as shareholder.

Additionally, each business case for DevCo, and phase for RentCo will need to demonstrate that:

- any financial reliance on the Council will not damage the Council's service delivery;
- The business case/phase demonstrates long term viability;
- The housing / development provided is sustainable and of acceptable standard for its intended use;
- Any business partners used to deliver to be financially sound, committed to housing standards acceptable to the Council and have good governance arrangements in place.

Prudential borrowing drawdowns

DevCo and RentCo will be financed by the Council using prudential loans.

The Prudential Borrowing will need to be in line with the Councils Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy. The Council and the companies (DevCo & RentCo) will work together to ensure there is appropriate levels of cash flow.

It is assumed that:

- 1) The type of the dwellings that are built by DevCo for sale will be those that generate the optimum profit. It is assumed that these will be largely 2/3/4 bedroom houses.
- 2) The type of dwellings for market rent and those for sub-market rents to be determined by on a site by site basis and based on any analysis of housing need expressed in the business plans for DevCo and RentCo.
- 3) DevCo will provide properties to RentCo at a discounted rate.

1.4 Strategy

DevCo:

Council will be asked to approve the prudential borrowing for DevCo. Drawdowns against this borrowing will be approved by Council on a case by case basis, through consideration the business case for each scheme – this document sets out to determine criteria against which business cases should be evaluated.

RentCo:

Council will be asked to approve the prudential borrowing for RentCo. Drawdowns against this borrowing will be approved by Council for each phase undertaken. RentCo will be expected to provide a business case for each phase, which, inter alia will outline performance targets for the phase. It is envisaged that a phase will be a substantial proposal, for example a plan of purchases over a two year period and/or a minimum of 100 homes.

1.5 Yields and decision parameters

DevCo:

DevCo will be expected to generate a minimum return on costs (including overheads and cost of borrowing but before tax). Return on cost is defined by the RICS as “The profit of the scheme expressed as a percentage of (total) costs.” This return varies from scheme to scheme and reflects the level of risk involved. The percentage is commensurate with the level of risk. The RICS states that the level of profit will vary from scheme to scheme, given different risk profiles as well as the stage in the economic cycle. For example, a small scheme constructed over a shorter timeframe may be considered relatively less risky and therefore attract lower profit margin, given the exit position is more certain than a large redevelopment spanning a number of years, where the outcome is considerably more uncertain.

- Greenfield sites: **10%**
- Brownfield sites: **5%**

RentCo:

Rent Co will be expected to act within the decision parameters listed below:

Private Rented Housing:

- Individual houses or clusters to be paid for within the expected life time of the building. Required to make a positive revenue contribution by year 5

Affordable Housing:

- Individual houses or clusters to be paid for within the expected life time of the building unless there are other clearly identifiable benefits i.e. meeting the needs of the Councils housing strategy

1.6 Locations

Torbay would be the preferred location for acquisitions of both rental and development properties so that reinvestment is directly retained within the local economy, and so that any additional capital expenditure is made in the local area. However, there is a finite and limited supply of land and property within the local area, and of that supply only a small proportion may be available for purchase at any time.

The wider South West Local Enterprise Partnership area should also be considered for new acquisitions as there is an evidence base that demonstrates that investment in this area has a positive impact on Torbay's economy. However opportunities in any geographic location will be considered. We will consider opportunities for co investment with partner organisations of good financial and reputational standing.

1.7 Target Assets

RentCo

The following tenures and house types will be sought:

- Private rent (LHA levels and above)
- Affordable Rent
- Social Rent
- Homebuy (Shared Ownership)
- Houses in multiple accommodation
- Temporary accommodation
- Adapted accommodation
- Extra Care accommodation
- Supported housing
- Stock transfer
- Rent to Homebuy
- Keyworker accommodation

DevCo

Development opportunities will be sought where a return on cost exceeds 10% for Greenfield sites and 5% for Brownfield Sites.

The following development opportunities will be targeted:

- Sites that have no abnormal restrictions (unless already owned by the Council) i.e. contaminated land,
- Brownfield sites delivering under 35 units,
- Greenfield sites delivering 5 or more units,
- Land purchases must be conditional on obtaining a suitable planning permission,
- Options or conditional contracts on land opportunities.

1.8 Assessment of risks

A rigorous assessment of all risks is required for each business case put forward by DevCo and for each phase for RentCo as each will require new investment.

The risks will be measured and an assessment made of the likely future performance of the investment carried out based on the ranges of likely future rental growth and voids of the property together with the projected disposal price or capital value at the end of the period, over which the cash flow analysis is being measured.

The Head of Finance can refer any proposed investment decision (irrespective of value) to Full Council for consideration where they deem this is in the best interest of the Council.

1.9 Decision Making

This Policy Framework stipulates that the following decisions, which in part, comprise of Reserved Matters of the companies, are to be made by Council not the Executive;

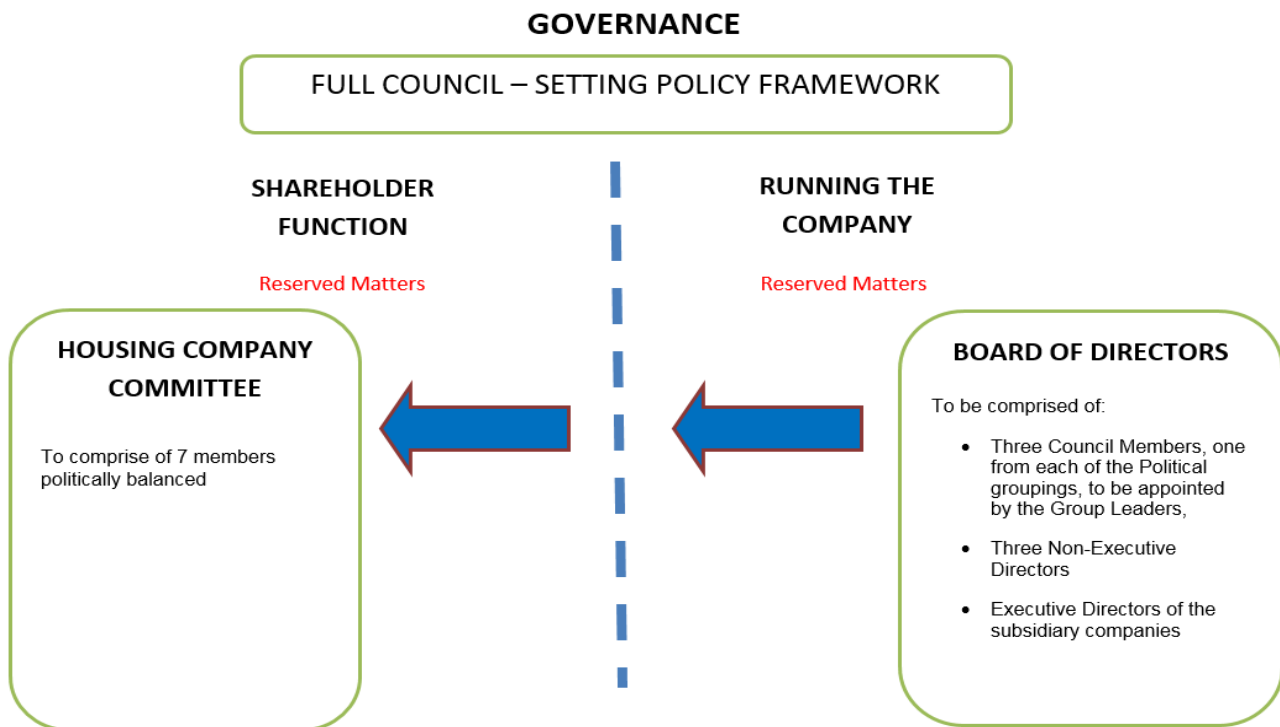
- 1.9.1 Varying in any respect the Articles or the rights attaching to any of the Shares in the Company.
- 1.9.2 Varying the quorum provisions for Director or Shareholder meetings.
- 1.9.3 Permitting the registration (upon subscription or transfer) of any person as a member of the Company other than the Council.
- 1.9.4 The creation, allotment or issue of any shares or the variation of any rights attaching to any Share
- 1.9.5 Granting any option or other interest (in the form of convertible securities or in any other form) over or in its Shares capital, redeeming or purchasing any of its own Shares or effecting any other reorganisation of its Shares capital.
- 1.9.6 Issuing any loan capital in the Company or entering into any commitment with any person with respect to the issue of any loan capital.
- 1.9.7 Making any borrowing arrangement, other than from the Council.
- 1.9.8 Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).
- 1.9.9 Changing the nature/scope of the Company's Business or commencing any new business by the Company which is not ancillary or incidental to the Business.
- 1.9.10 Approving any Business Plan prepared by the Board.
- 1.9.11 Taking any action or decision which would not be consistent with any adopted Business Plan and/or any approved Business Case.
- 1.9.12 Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
- 1.9.13 Selling any part of the Business unless authorised through any adopted Business Plan.
- 1.9.14 Amalgamating or merging with any other company or business undertaking.
- 1.9.15 Creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of the Company or over any Shares in the Company or agreeing to do so other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business.
- 1.9.16 Making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity (other than in the normal course of trading).

- 1.9.17 Altering any mandate given to the Company's bankers relating to any matter concerning the operation of the Company's bank accounts other than by the substitution of any person nominated as a signatory by the party entitled to make such nomination.
- 1.9.18 Entering into any arrangement, contract or transaction (including the appointment of any agent or intermediary to conduct any of the Company's Business) outside the normal course of its business.
- 1.9.19 Granting any rights (by licence or otherwise) in or over any branding and logos owned or used by the Company.
- 1.9.20 Making or permitting to be made any change in the accounting policies and principles adopted by the Company in the preparation of its audited and management accounts where such change would have an impact on the EBITDA.
- 1.9.21 Declaring or paying any dividend or making any other distribution (by way of capitalisation, repayment or in any other manner) out of the Company's distributable profits or any of its reserves other than an interim dividend in accordance with the Articles.
- 1.9.22 (a) Making the initial decision for the Company to have its own employees
(b) Granting any pension rights (Local Government Pension Scheme) to any director, officer, employee, former director, former officer or former employee, or any member of any such person's family.
- 1.9.23 Dismissing any officer or employee in circumstances in which the Company incurs or agrees to bear redundancy or other costs in excess of £50,000 in total and dismissing any Director.
- 1.9.24 Instituting, settling or compromising any material legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the Company or submitting to arbitration or alternative dispute resolution any dispute involving the Company.
- 1.9.25 Factoring or assigning any of the book debts of the Company.
- 1.9.26 Establishing or amending any profit-sharing, Shares option or other incentive scheme (other than bonus schemes) of any nature for directors or employees of the Company.
- 1.9.27 Agreeing to remunerate (by payment of fees, the provision of benefits-in-kind or otherwise) any officer of the Company at a rate in excess of £50,000 per annum or increasing the remuneration of any such person to a rate in excess of £50,000 per annum or otherwise in accordance with any adopted Business Plan or Business Case.
- 1.9.28 Entering into or varying any contract of employment providing for the payment of remuneration (including pension and other benefits) in excess of a rate of £50,000 per annum or increasing the remuneration of any staff (including pension and other benefits) to a rate in excess £50,000 per annum.
- 1.9.29 Making any agreement with any revenue or tax authorities or making any claim, disclaimer, election or consent exceeding £100,000 for tax purposes in relation to the Company or its Business.
- 1.9.30 The acquisition or disposal of any land, buildings and/or other assets where such acquisition or disposal is not within the approved Business Plan of the Company or any approved business case.
- 1.9.31 To receive and approve Business Cases for developments/phases and therefore approve drawdowns of loans in accordance with the Prudential Borrowing limit set by Full Council.

These decisions compromise of the totality of Shareholder decisions, and therefore the Policy Framework does not envisage any Shareholder decisions being taken by the Executive.

To ensure that Shareholder decisions can be made quickly and effectively it is proposed that Council create a Housing Company Committee, comprising of 7 members.

All appointments to the companies would be undertaken through the Council's Employment Committee.



The companies are separate legal entities and so have to be treated as distinct from the Council in that any land sold to a company must be sold for best consideration under s123 of the Local Government Act 1972;

Any funding to the companies must be provided on market terms – this could be through equity investments (i.e. for shares) or more likely repayable loans at market rates – to avoid any suggestion of giving State Aid to the companies;

Any support that the Council provides to the companies (e.g. back office services) must be provided on at least a full cost recovery basis.

Governance Arrangements:

HoldCo will be the shareholder for DevCo and RentCo for which directors will also be required. Non-Executive directors can be paid an honorarium.

HoldCo and RentCo will require a small number of posts, potentially secondees from the Council, or other Council companies performing work on its behalf, or may appoint a third party to undertake work in its behalf.

Terms of Reference Housing Company Committee

Terms of Reference	
	In respect of HoldCo, DevCo, RentCo to make the following decisions;
1	Varying in any respect the Articles or the rights attaching to any of the Shares in the Company.
2	Varying the quorum provisions for Director or Shareholder meetings.
3	Permitting the registration (upon subscription or transfer) of any person as a member of the Company other than the Council.
4	The creation, allotment or issue of any shares or the variation of any rights attaching to any Share
5	Granting any option or other interest (in the form of convertible securities or in any other form) over or in its Shares capital, redeeming or purchasing any of its own Shares or effecting any other reorganisation of its Shares capital.
6	Issuing any loan capital in the Company or entering into any commitment with any person with respect to the issue of any loan capital.
7	Making any borrowing arrangement other than from the Council
8	Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).
9	Changing the nature/scope of the Company's Business or commencing any new business by the Company which is not ancillary or incidental to the Business.
10	Approving any Business Plan prepared by the Board
11	Taking any action or decision which would not be consistent with any adopted Business Plan and/or any approved Business Case.
12	Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
13	Selling any part of the Business unless authorised through any adopted Business Plan.
14	Amalgamating or merging with any other company or business undertaking.

	<p>Terms of Reference</p> <p>In respect of HoldCo, DevCo, RentCo to make the following decisions;</p>
15	Creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of the Company or over any Shares in the Company or agreeing to do so other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business.
16	Making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity (other than in the normal course of trading).
17	Altering any mandate given to the Company's bankers relating to any matter concerning the operation of the Company's bank accounts other than by the substitution of any person nominated as a signatory by the party entitled to make such nomination.
18	Entering into any arrangement, contract or transaction (including the appointment of any agent or intermediary to conduct any of the Company's Business) outside the normal course of its business.
19	Granting any rights (by licence or otherwise) in or over any branding and logos owned or used by the Company.
20	Making or permitting to be made any change in the accounting policies and principles adopted by the Company in the preparation of its audited and management accounts where such change would have an impact on the EBITDA.
21	Declaring or paying any dividend or making any other distribution (by way of capitalisation, repayment or in any other manner) out of the Company's distributable profits or any of its reserves other than an interim dividend in accordance with the Articles.
22	<p>(a) Making the initial decision for the company to have its own employees</p> <p>(b) Granting any pension rights to any director, officer, employee, former director, former officer or former employee, or any member of any such person's family.</p>
23	Dismissing any officer or employee in circumstances in which the Company incurs or agrees to bear redundancy or other costs in excess of £50,000 in total and dismissing any Director.

	<p>Terms of Reference</p> <p>In respect of HoldCo, DevCo, RentCo to make the following decisions;</p>
24	Instituting, settling or compromising any material legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against the Company or submitting to arbitration or alternative dispute resolution any dispute involving the Company.
25	Factoring or assigning any of the book debts of the Company.
26	Establishing or amending any profit-sharing, Shares option or other incentive scheme (other than bonus schemes) of any nature for directors or employees of the Company.
27	Agreeing to remunerate (by payment of fees, the provision of benefits-in-kind or otherwise) any officer of the Company at a rate in excess of £50,000 per annum or increasing the remuneration of any such person to a rate in excess of £50,000 per annum.
28	Entering into or varying any contract of employment providing for the payment of remuneration (including pension and other benefits) in excess of a rate of £50,000 per annum or increasing the remuneration of any staff (including pension and other benefits) to a rate in excess £50,000 per annum.
29	Making any agreement with any revenue or tax authorities or making any claim, disclaimer, election or consent exceeding £100,000 for tax purposes in relation to the Company or its Business.
30	The acquisition or disposal of any land, buildings and/or other assets where such acquisition or disposal is not within the approved Business Plan of the Company or any approved business case.
31	To receive and approve Business Cases for developments/phases and therefore approve loan drawdowns in accordance with the Prudential Borrowing limit set by Council.
32	To approve the disposal of any land to the Companies associated with any Business Cases/Phases considered.

Transformation Project - Housing Companies Policy Framework

Decision Taker

Mayor on 13 June 2017

Decision

That the Council be recommended to approve the Housing Companies - Policy Framework Document set out at Appendix 2 to the submitted report (and attached to this record of decision).

Reason for the Decision

To put forward the Mayor's proposed Housing Companies - Policy Framework Document.

Implementation

The recommendation of the Mayor will be considered at the Council meeting on 22 June 2017.

Information

The draft Housing Companies - Policy Framework Document considered at the meeting of the Policy Development and Decision Group (Joint Operations Team) on 18 May 2017 and was subsequently published for consultation on 25 May 2017.

The attached Policy Framework document sets out to deliver elements of the Council's Housing Strategy through funds available to the Council for affordable housing.

Alternative Options considered and rejected at the time of the decision

None

Is this a Key Decision?

Yes – Reference Number: I025402

Does the call-in procedure apply?

No

Declarations of interest (including details of any relevant dispensations issued by the Standards Committee)

None

Published

13 June 2017

Signed: _____
Mayor of Torbay

Date: 13 June 2017



Meeting: Council

Date: 22 June 2017

Wards Affected: All Wards

Report Title: Constitution Amendments

Is the decision a key decision? No

When does the decision need to be implemented? Immediately

Executive Lead Contact Details: Councillor Derek Mills, Executive Lead for Health and Wellbeing and Corporate Services, (01803) 843412, Derek.mills@torbay.gov.uk

Supporting Officer Contact Details: Anne-Marie Bond, Assistant Director Corporate and Business Services, (01803) 207160, Anne-marie.bond@torbay.gov.uk

1. Proposal and Introduction

- 1.1 At the Mayor and Group Leaders meeting held on 27 February 2017, Members received a proposal to consider introducing a 5 minute time limit to supplementary questions and responses to Members questions at Council meetings, so as to ensure consistency of speaking rules. It is proposed that the following amendment be made to Standing Orders – Council Meetings to address this matter:

A16.5 Length of speeches

No speech **or response** may exceed five minutes without the consent of the Chairman/woman except the opening speeches on the revenue budget by the Elected Mayor and the leaders of each political group at the annual budget setting meeting, which shall not exceed fifteen minutes without the consent of the Chairman/woman.

- 1.2 Members also considered reviewing the Terms of Reference of the Development Management Committee in respect of Council owned land. They recommended that three options be developed for consideration by the Council. These options are set out at Appendix 1 to this report.

2. Reason for Proposal

- 2.1 To agree the proposed changes to the Constitution to enable consistency in respect of speeches, clarity in the Terms of Reference for the Development Management Committee in respect of applications for Council-owned land and to ensure that the Terms of Reference for the Development Management Committee reflect recent changes to the Council's adopted planning policies.

3. Recommendation(s) / Proposed Decision

- 3.1 That the Standing Orders – Council Meetings be amended as set out in paragraph 1.1 to the submitted report.
- 3.2 That the Council considers the amendment to the Terms of Reference for the Development Management Committee as set out in Appendix 1 to the submitted report and determines which option to pursue.

Appendices

Appendix 1: Options for changes to the Terms of Reference for the Development Management Committee

Options for changes to the Terms of Reference for the Development Management Committee

Changes shown in bold text

In all cases it is recommended that the following paragraphs are amended as indicated to clarify the Terms of Reference and/or to reflect the adoption of the new Torbay Local Plan and Community Infrastructure Levy Charging Schedule.

1. At all times to have regard to the adopted Torbay Local Plan ~~1995-2011 (“the Torbay Local Plan”)~~ and, following submission to the Secretary of State, the new ~~Torbay Local Plan 2012 - 20320~~.
2. To consider and (if appropriate) determine (unless such determination is reserved by law to Council) all applications and all other matters (including issuing notices, making Orders and requesting the Monitoring Officer to issue civil or criminal proceedings) relating to:

- Town and Country Planning, including
- Conservation Areas
 - Listed Buildings
 - Scheduled Ancient Monuments
 - The display of advertisements
 - Tree Preservation Orders
 - Complaints about high hedges
 - Public Rights of Way
 - Minerals
 - Highways matters
 - Waste
 - Enforcement; and
 - Environmental Assessment
 - **Community Infrastructure Levy**

so far as they are set out in Schedule 2 of this Part 3 of the Constitution (Council Functions) or are identified as Council functions in Schedule 1 of this Part 3 (Local Choice Functions): i.e. so far as they are not Executive functions.

3. The Committee shall not determine any application (or other matter) in a manner that would (in the opinion of the Executive Head of Business Services) not be in accordance with the adopted ~~and/or new~~ Torbay Local Plan ~~unless both those Officers recommend such determination and the determination is consistent with~~ **without the agreement of** the Executive Head's ~~recommendation~~.
4. If, ~~contrary to officer recommendation~~, the Committee consider that an application (or other matter) shall be determined not in accordance with the adopted ~~and/or~~ Torbay Local Plan then (unless their determination is consistent with the

recommendation of the Executive Head of Business Services **in the Officer Report**) the item shall be referred to Council for determination.

In respect of paragraph 5, three alternative proposals are proposed:

Option 1 – leave paragraph with the same meaning as currently, just providing greater clarification of the wording

5. The Committee shall not determine any ~~application (or other matter)~~ that relates to land owned, controlled or occupied by the Council ~~in a manner that is not in accordance with the recommendation~~ **unless it is in accordance with the recommendation of the Executive Head of Business Services set out in the Officer Report.** If the Committee consider that ~~the a an application (or other matter)~~ that relates to land owned controlled or occupied by the Council shall be ~~deferred or determined~~ **in a manner which is** not in accordance with the **Officer Recommendation of the Executive Head of Business Services, the Executive Head of Business Services shall may refer that matter to Council for consideration or determination with a recommendation from the Committee.**

Option 2 – as Option 1, but only relating to Council applications

5. The Committee shall not determine any **Council application** that relates to land owned, controlled or occupied by the Council **unless it is in accordance with** ~~without the agreement of the Executive Head of Business Services~~ **the recommendation set out in the Officer Report.** If the Committee consider that a **Council** application (or other matter) that relates to land owned controlled or occupied by the Council shall be ~~deferred or determined~~ in a manner which is not in accordance with the **Officer Recommendation of the Executive head Business Services, the Executive Head of Business Services shall may refer that matter to Council for consideration or determination with a recommendation from the Committee.**

This option allows the Committee to determine applications relating to Council owned land contrary to Officer recommendation but only where the application is not made by the Council. This option removes the requirement to refer a matter to Council, for instance, where it relates to land that is occupied by a third-party on a long lease.

Option 3 – removal of consideration by Committee of matters that relates to land owned, controlled or occupied by the Council

5. The Committee shall not determine any ~~application (or other matter)~~ that relates to land owned, controlled or occupied by the Council. ~~in a manner that is not in accordance with the recommendation of the Executive Head of Business Services. If the Committee consider that~~ **the an application (or other matter)** that relates to land owned, controlled or occupied by the Council shall be **deferred or determined in a manner which is** not in accordance with the recommendation of the Executive Head of Business Services, ~~The Executive Head of Business Services may refer that matter~~ **will be referred directly** to Council for consideration or determination. ~~with a recommendation from the Committee~~

Referring matters directly to Council may cause delays to schemes.

Option 4 – delete paragraph 5 altogether

- ~~5. The Committee shall not determine any application (or other matter) that relates to land owned, controlled or occupied by the Council in a manner that is not in accordance with the recommendation of the Executive Head of Business Services. If the Committee consider that an application (or other matter) that relates to land owned, controlled or occupied by the Council shall be deferred or determined not in accordance with the recommendation of the Executive Head of Business Services the Executive Head may refer that matter to Council for consideration or determination.~~

This option gives the power to make all planning decisions to the Committee.



Meeting: Council

Date: 22 June 2017

Wards Affected: All Wards

Report Title: Corporate Plan Amendment – Vision/Place Narrative for Torbay Partners

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Executive Lead Contact Details: Councillor Derek Mills, Executive Lead for Health and Wellbeing and Corporate Services, (01803) 843412, Derek.mills@torbay.gov.uk

Supporting Officer Contact Details: Anne-Marie Bond, Assistant Director Corporate and Business Services, (01803) 207160, Anne-marie.bond@torbay.gov.uk

1. Proposal and Introduction

- 1.1 This report sets out the work that has been developed by a group of key partners in Torbay following the Local Government Association (LGA) Corporate Peer Review recommendations. The LGA advised that the Council should facilitate strategic partners across Torbay coming together, initially to create a vision/place narrative, and thereafter to work together to deliver it for the benefit of the bay. Appendix 1 sets out the vision/place narrative that strategic partners created so as to provide a compelling narrative for long term aspirations for Torbay.
- 1.2 It is proposed the Council adopts the document, as set out in Appendix 1 for Torbay for inclusion as part of the Council’s Policy Framework, within the Corporate Plan.
- 1.3 The Policy Development and Decision Group (Joint Operations Team) considered the document at its meeting held on 26 April 2017 and made recommendations to the Mayor. The Mayor’s recommendation is set out below and in the attached Record of Decision.

2. Reason for Proposal

- 2.1 To enable the Council to demonstrate its commitment to the Strategic Partnership and for the Vision/Place Narrative to provide a focus and direction for the Council and key partners.

3. Recommendation(s) / Proposed Decision

Mayor’s Recommendation:

- 3.1 That the partners within the Strategic Partnership be thanked for their work in producing the document.

- 3.2 That subject to the title being changed to 'Future Torbay' and page 15 Our challenges, being changed to read 'which this document seeks to address' the Strategic Partnership's Vision for Torbay as set out at Appendix 1 be adopted as part of the Council's Policy Framework within the Corporate Plan.
- 3.3 That the Introduction to the Council's Corporate Plan be amended to include the following additional paragraph:

"Partners across Torbay have come together to develop "Future Torbay" which is a long term high level plan and vision with a compelling narrative articulating the ambitions for Torbay's future. This Corporate Plan will provide the framework by which the Council delivers its elements of Future Torbay."

Strategic Partnership Working Party Recommendation:

- 4.1 That the partners within the Strategic Partnership be thanked for producing the Vision for Torbay.
- 4.2 That the Strategic Partnership's Vision for Torbay as set out at Appendix 1 be adopted as part of the Council's Policy Framework within the Corporate Plan.
- 4.3 That the Introduction to the Council's Corporate Plan be amended to include the following additional paragraph:

"Partners across Torbay have come together to develop "Vision: Torbay" which is a long term high level plan and vision with a compelling narrative articulating the ambitions for Torbay's future. This Corporate Plan will provide the framework by which the Council delivers its elements of Vision: Torbay."

5. Background

- 5.1 As a result of the recommendations of the LGA Corporate Peer Review, the Council established a Strategic Partnership Working Party. The LGA has also provided funding to assist key partners to develop a vision/place narrative for Torbay. The Working Party has worked with the key partners on producing the vision/place narrative and its recommendations are set out above at 3.1 and 3.2. Further background information prepared by the Strategic Partnership is set out at Appendix 1.

Appendices:

- Appendix 1 Background information and introduction by Strategic Partnership
Appendix 2 Strategic Partnership Vision for Torbay
Appendix 3 Record of Decision

Background Documents

- Local Government Association Corporate Peer Challenge Torbay Council Feedback Report

Torbay Vision/Place Narrative and Torbay Strategic Partnership

1. Introduction

1.1 This paper sets out the work that has been undertaken by a group of key strategic partners to develop a long term high level plan and vision for Torbay, with a compelling narrative which articulates ambitions for Torbay's future. Torbay's Vision (attached) is presented for each key stakeholder organisation to adopt and to confirm commitment to the strategic partnership moving forward in respect of its delivery.

2. Background and our journey so far

- 2.1 Torbay Council undertook a Corporate Peer Review with the Local Government Association (LGA) in December 2015. The review highlighted that Torbay as a place would benefit from the creation and promotion of a longer term and sustainable vision for Torbay and a compelling narrative which articulates its strategic partners' ambitions. They believed that this would provide: a focus upon what Torbay will look like in the future; what the environment and growth prospects are; how we will build and diversify our economy and tell a story which encourages investment; and describes the ambitions that all community leaders have for Torbay.
- 2.2 This vision and subsequent delivery/action plans are important for Torbay to be recognised in regional and national initiatives. It also demonstrates a real collective commitment to 'the Bay', an understanding of the problems it faces and a real desire to work together to improve things.
- 2.3 The LGA Peer Team urged the Council and its partners to rekindle its partnership engagement to develop the vision. Underpinning this is the recognition that fundamental decisions about doing things differently with less public funding is a given and, whilst this presents challenges, it also provides an opportunity to reframe Torbay's future working together as a partnership.
- 2.4 The LGA highlighted we already have wide range of partnership working, which is a real strength and if developed further could support our capacity and effective leadership of Torbay. We were encouraged to develop just one overarching Torbay Vision supported by an effective strategic partnership forum so that 'we have all the key players in the tent at the same time.' They believed that once the vision was established that partners would rally around the resulting priorities, thereby driving collective action and, with a collective will, enhance the capacity of the partners to deliver.
- 2.5 In response to the LGA's recommendations, Torbay's strategic partners have worked together on developing the vision and place narrative for Torbay. The LGA provided

external facilitation support via Hackney Council Communications Team to assist. A number of organisations have provided a positive input in the development of the Torbay Vision and Place narrative. Those involved include:

Torbay and South Devon NHS (Ann Wagner and Dawn Butler)
Devon and Somerset Fire (Gerald Taylor)
Devon and Cornwall Police (Superintendent Jacqueline Hawley)
Torbay Business Forum (Peter Blackler, Tim Godfrey and Keith Richardson)
South Devon College (Stephen Criddle, Lawrence Frewin and Adele Dawson)
Torbay Community Development Trust (Simon Sherbersky)
English Riviera Tourism Company (Laurence Murrell and Carolyn Custerson)
English Riviera Geopark (Nick Powe)
Torbay Culture Board (Kate Farmery)
Torbay Development Agency (Alan Denby)
Torbay's Elected Mayor (represented by Councillors Derek Mills and Richard Haddock)
Torbay Council Strategic Partnership Working Party (Councillors David Thomas, Steve Darling, Christine Carter, Robert Excell, Mike Morey and Anna Tolchard, with support from Steve Parrock, Frances Hughes and Anne-Marie Bond)

Whilst secondary and primary headteachers were invited to be represented they were unable to attend the sessions.

3. Next steps and delivery of the Torbay Vision and Place Narrative

- 3.1 The Torbay Vision is designed to be an over-arching high level strategy which each organisation can use to inform the development of its own individual strategies and policies. Each partner organisation is now requested to adopt and sign up to the Torbay Vision as attached to this paper.
- 3.2 Once partners have signed up to the Torbay Vision and provided their commitment, objectives and action plans will be developed by the partnership to deliver the priorities as set out in the Vision. This will include engagement and communication plans so as to ensure organisations and the public are appropriately engaged.

4. Future working principles of the Strategic Partnership

- 4.1 The partners at their last meeting reviewed the partnership's working relationship to date and considered its future structure and operation now that the Torbay Vision has been prepared. The general consensus was that the partnership worked well without the constraints of a heavy governance structure in place, there is a positive working approach through collaboration with a common interest. Moving forward, it was felt important to continue to build on the strength of the partnership by

maintaining the momentum of the work already achieved, including sharing individual organisation's plans and ambitions which will inform the partnership's objectives and action plans. The partnership will continue to meet every six weeks to continue its work on action planning for delivery of the Torbay Vision.

Vision: Torbay



Torbay:

An unrivalled quality of life, in one of the UK's most beautiful destinations; where connectivity, culture, and ambition are growing fast, creating opportunities for everyone who lives, works and enjoys being here.



Introduction

Torbay offers an unrivalled quality of life for individuals and families – its natural environment, clean air, climate, location, excellent schools, growing arts and cultural sector, low crime rate and wide range of outdoor activities, means that Torbay provides everyone the opportunity to live a healthy and fulfilled life.

Torbay is one of the UK's most beautiful destinations. It is world renowned as the 'English Riviera', with first class beaches, miles of stunning coastline, a climate that is envied across the UK, with a deep rooted and diverse heritage offer and UNESCO Geopark status. In a growth market for both international and domestic tourism, Torbay is well placed to attract new and different visitors, creating more and higher-quality year round jobs in the sector.

Torbay has established areas of economic success in many industries including fishing, a large social care sector, and growing pharmaceutical and tech industries. We want to develop, attract and retain a highly educated and motivated young population, who will be an asset to a growing economy. Torbay is also a retirement destination for many fit, active, skilled and affluent older people who can play a key role in the economy and the community.

Our challenges

Torbay is a unique place and our residents have high levels of satisfaction with Torbay as a place to live. However, it also has its challenges, which this vision seeks to address. Like many coastal areas, Torbay suffers from high-levels of poverty and deprivation, with not enough opportunities for young people, meaning that many of them leave the area in order to develop their careers. Torbay currently has a predominantly low-wage, low skill economy and over reliance on the tourism industry. Torbay needs to utilise its transport and digital infrastructure in order to grow and develop its economy to its full potential. Our ageing population means that an ever higher proportion of diminishing public resource is spent on care.

The cumulative impact of these challenges highlights the need for effective partnership working is greater now than ever, with a focus on the actions that have greatest impact.



Our Vision for Torbay

Our vision for Torbay will build on our strengths to deliver economic growth, tackle inequality and create change in the area that benefits everyone who lives here.

1. Skills, growth and opportunity:

To promote organic sustainable economic growth in Torbay, as well as attracting investment and high quality jobs, ensuring that local people have the skills needed to take the opportunities that economic growth of the area will offer. To tackle inequality through skills, opportunity and growth. To build on existing strengths in the health sector and develop a diverse and responsive care sector to meet the needs of our older people.

We will support Torbay's economic growth and tackle the deprivation in our communities through building our local skills base in health, technology and hospitality, creating the higher skilled and well-paid jobs that underpin economic success. As a partnership, we will collectively support South Devon College's higher education growth ambitions, with a strong skills focus on professional and technical degrees, building on its existing strengths. We will work with schools, colleges and businesses to create a programme of local apprenticeships, encouraging young people to stay in the area through the creation of genuine opportunity. We will only achieve these aims if Torbay fully utilises its transport and digital infrastructure already in place, along with working together, as a strong and unified voice for the area, to bring further investment in integrated infrastructure that supports growth.

Torbay is a place where health and well-being are at the front and centre of our local economy. We want to grow the health industry here, attracting pharmaceutical and health companies to the area, building on our existing strengths to create economic growth and local opportunity. We want Torbay to be a great place to do business, where support is available for new and existing businesses.

We will innovate in the health and social care sector to better care for our ageing population and using our resources better to create alternative models of living including high quality accommodation. Whether through thriving communities, innovative partnerships between culture, arts and health or using new technology to support independent living, we want Torbay to make the most of what our older population has to offer and to be a fantastic place to live at every stage of life.



2. Taking Torbay into the 21st century

To promote, protect and enhance Torbay's unique natural environment and rich heritage. As the keystone of the area's success and prosperity and in our role as custodians of the place we will encourage high quality development with sustainability at its heart, which enhances the Bay's natural assets and built heritage.

Torbay's uniquely beautiful natural environment, sunny climate and proud destination heritage have led it to be known as the English Riviera, one of the UK's key tourist locations.

Its UNESCO Geopark status has provided an opportunity to develop tourism beyond its traditional base. A renewed focus on culture, with £1.2 million of new funding for the area will further enhance this and has the potential to create a vibrant, community-led cultural programme that will bring visitors from across the region and the UK. We need to develop the visitor offer to reflect our status as a centre for well-being, with a high quality leisure and cultural offer to attract a wide range of visitors to the area. Torbay can be a place where visitors can enjoy unparalleled year round access to outdoor experiences, a place where people can relax and rejuvenate, as well as enjoying a wide range of exciting and healthy, activities; we want the English Riviera to thrive as a modern spa destination for the 21st century.

3. A great quality of life for all:

To make Torbay a fantastic place to live for all our residents, whatever their background, attracting new people to live here and providing opportunities for success and well-being for all our communities.

Torbay offers unrivalled quality of life, through its outstanding natural environment and access to healthy lifestyles. It has some outstanding schools and one of the lowest crime rates in the UK, which attract new families to the area. We need to consolidate the culture, leisure and heritage offer to create something vibrant and engaging, as much for residents as visitors. We need to ensure the area has high quality housing and accommodation for residents at every stage of their lives.

We need a renewed commitment to tackling the underlying inequalities in the area, through jobs, skills and growth, but also through focusing on health and well-being issues, tackling entrenched health inequalities such as obesity, poor mental health and teenage pregnancy.

We want Torbay to offer a great quality of life for everyone who lives here.



Strategic Partnership Commitment





As a partnership, working together, we will provide clear and focused place-leadership; to be a strong, bold, unified voice with a shared narrative for Torbay, standing up for the area and its communities, promoting our successes, building local pride and campaigning for the investment that the area needs, as well as tackling inequality. We will work together to deliver:

- A strong, confident Torbay, with unified political, business and community leadership. A partnership that will advocate and lobby for the area, build local pride and optimism, secure infrastructure investment and effectively position the Bay locally, nationally and internationally.
- A great place to do business and where companies grow and succeed; well-connected, with a skills-led economy, underpinned by the offer at South Devon College, apprenticeships and outstanding schools. A thriving and innovative economic hub, building on existing strengths.
- A great place for everyone to thrive; a place with an outstanding natural environment for healthy and safe living and a vibrant cultural life, where young people can stay and succeed, families can thrive and older people can enjoy a healthy and active retirement.
- A spa resort for the 21st century; a thriving tourism centre that plays to the strengths of our natural environment, cultural offer and destination heritage.
- A vibrant and supported community and voluntary sector, working across the Bay, maximising our assets for the benefit of all.



Record of Decision

Corporate Plan Amendment - Vision/Place Narrative for Torbay Partners

Decision Taker

Mayor on 17 May 2017

Decision

That the Council be recommended:

- (i) that the partners within the Strategic Partnership be thanked for producing the Future Torbay;
- (ii) that subject to the title being changed to 'Future Torbay' the Strategic Partnership's Vision for Torbay as set out at Appendix 1 to the submitted report be adopted as part of the Council's Policy Framework within the Corporate Plan; and
- (iii) that the Introduction to the Council's Corporate Plan be amended to include the following additional paragraph:

"Partners across Torbay have come together to develop "Future Torbay" which is a long term high level plan and vision with a compelling narrative articulating the ambitions for Torbay's future. This Corporate Plan will provide the framework by which the Council delivers its elements of Future Torbay."

Reason for the Decision

Future Torbay better describes the purpose of this high level plan for the future ambitions of Torbay.

Implementation

The recommendations of the Mayor will be considered at the Council meeting on 22 June 2017.

Information

The submitted report set out a Vision/Place Narrative for Torbay which has been developed by a group of key partners in Torbay following the Local Government Association (LGA) Corporate Peer Review recommendations. The Future Torbay provides a compelling narrative for long term aspirations for Torbay which key partners can commit to.

It was proposed that the Council adopts the Vision/Place Narrative for Torbay for inclusion as part of the Council's Policy Framework, within the Corporate Plan.

The Mayor considered the recommendations of the Policy Development and Decision Group (Joint Operations Team) made on 26 April 2017 and subsequently requested that the Partners who had developed the document be consulted on the proposed change of title to 'Future Torbay' to see if they supported the change. Partners have been consulted and the outcome of this consultation will be reported to the Council on 22 June 2017.

The Mayors final decision on this matter is set out above.

Alternative Options considered and rejected at the time of the decision

Alternative options were set out in the submitted report but were not discussed at the meeting.

Is this a Key Decision?

Yes – Reference Number: I031368

Does the call-in procedure apply?

No

Declarations of interest (including details of any relevant dispensations issued by the Standards Committee)

None

Published

17 May 2017

Signed: _____
Mayor of Torbay

Date: 17 May 2017

Schedule 5 - Scheme of Delegation of Executive Functions to the Executive, Committees of the Executive and Officers

This report is presented to the Extraordinary meeting of Council on 22 June 2017 in accordance with Standing Order C4.2(a) for inclusion in the Council’s Scheme of Delegation (Schedule 5 of Part 3) of the Constitution of Torbay Council.

1. The names, addresses and wards of the people appointed to the Executive by the elected Mayor are set out below:

Name	Address	Electoral Ward
Deputy Mayor and Executive Lead for Health and Wellbeing and Corporate Services - Councillor Derek Mills	5 Bascombe Close Churston Brixham TQ5 0JR	Churston with Galmpton
Executive Lead for Tourism, Culture and Harbours - Councillor Amil	c/o Town Hall Castle Circus Torquay TQ1 3DR	Cockington with Chelston
Executive Lead for Community Services - Councillor Robert Excell	Excell Studio 203 Union Street Torre Torquay TQ1 4BY	Tormohun
Executive Lead for Planning, Transport and Housing – Councillor Mark King	5B Coburg Place Torquay TQ2 5SU	Cockington with Chelston
Executive Lead for Business – Councillor Richard Haddock	Churston Farm Shop Dartmouth Road Brixham TQ5 0LL	St Marys with Summercombe
Executive Lead for Adults and Children– Councillor Julien Parrott	51 Princes Road Torquay TQ1 1NW	Ellacombe

2. The elected Mayor is responsible for the discharge of all executive functions (except as specified in paragraph 3. below). Executive Leads will have an advisory role in relation to the areas of responsibility set out below.

Executive Lead	Portfolio:	Main Director/Assistant Director/Executive Head/Lead Officer
<p>Elected Mayor Gordon Oliver</p> <p>Executive Lead for Finance and Regeneration</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 102</p>	<p>Torbay Development Agency:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Built Environment <input type="checkbox"/> Employment and Skills <input type="checkbox"/> Business support <input type="checkbox"/> Regeneration <input type="checkbox"/> Business Relocation, Creation and Growth (inc. social enterprise/apprenticeships) <input type="checkbox"/> Inward Investment <input type="checkbox"/> Property (assets) <input type="checkbox"/> Estates <p>Finance:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Financial Services (including Capital and Revenue Budget and Budget Monitoring) <input type="checkbox"/> Events 	<ul style="list-style-type: none"> <input type="checkbox"/> Chief Executive/Chief Executive Torbay Development Agency <input type="checkbox"/> Chief Finance Officer <input type="checkbox"/> Assistant Director of Community and Customer Services

Executive Lead	Portfolio:	Main Director/Assistant Director/Executive Head/Lead Officer
Deputy Mayor and Executive Lead for Health and Wellbeing and Corporate Services Councillor Derek Mills	<ul style="list-style-type: none"> <input type="checkbox"/> Public Health: <input type="checkbox"/> Public Health Commissioning Team <input type="checkbox"/> Special Projects: <input type="checkbox"/> Special projects and innovation <input type="checkbox"/> Corporate and Business Services: <input type="checkbox"/> Business Development <input type="checkbox"/> Governance Support <input type="checkbox"/> Mayor’s Support Unit <input type="checkbox"/> Human Resources and Payroll <input type="checkbox"/> Legal and procurement <input type="checkbox"/> (<i>Twining</i>) 	<ul style="list-style-type: none"> <input type="checkbox"/> Director of Public Health <input type="checkbox"/> Director of Children’s Services <input type="checkbox"/> Assistant Director of Corporate and Business Services
Executive Lead for Planning, Transport and Housing Councillor Mark King	<ul style="list-style-type: none"> <input type="checkbox"/> Building Control <input type="checkbox"/> Planning and Strategic Transport <input type="checkbox"/> Highways <input type="checkbox"/> Strategic Housing <input type="checkbox"/> Operational Housing <input type="checkbox"/> Waste <input type="checkbox"/> TOR2 Commissioning <input type="checkbox"/> (Design Review Champion) <input type="checkbox"/> Customer Services: <input type="checkbox"/> Customer Services <input type="checkbox"/> Revenue and Benefits 	<ul style="list-style-type: none"> <input type="checkbox"/> Assistant Director of Community and Customer Services <input type="checkbox"/> Assistant Director of Corporate and Business Services <input type="checkbox"/> Director of Adults Services <input type="checkbox"/> Executive Head of Business Services <input type="checkbox"/> Executive Head of Customer Services

Executive Lead	Portfolio:	Main Director/Assistant Director/Executive Head/Lead Officer
Executive Lead for Tourism, Culture and Harbours Councillor Nicole Amil	<input type="checkbox"/> Culture <input type="checkbox"/> Heritage <input type="checkbox"/> Museums <input type="checkbox"/> Resort Services <input type="checkbox"/> Tourism <input type="checkbox"/> Harbours <input type="checkbox"/> (Armed Forces Champion) <input type="checkbox"/> (Heritage Champion)	<input type="checkbox"/> Assistant Director of Community and Customer Services <input type="checkbox"/> Executive Head of Business Services
Executive Lead for Community Services Councillor Robert Excell	<p>Community and Customer Services:</p> <input type="checkbox"/> Community Safety (Crime and Disorder) <input type="checkbox"/> Street Scene <input type="checkbox"/> Sport <input type="checkbox"/> Environmental Health and Regulatory Services <input type="checkbox"/> Natural Environment <input type="checkbox"/> Environment and Flooding <p>Business Services:</p> <input type="checkbox"/> Car Parking <input type="checkbox"/> <p>Public Health:</p> <input type="checkbox"/> Community Development Trust	<input type="checkbox"/> Assistant Director of Community and Customer Services <input type="checkbox"/> Executive Head of Business Services <input type="checkbox"/> Director of Public Health

Executive Lead	Portfolio:	Main Director/Assistant Director/Executive Head/Lead Officer
<p>Executive Lead for Adults and Children</p> <p>Councillor Julien Parrott</p>	<p>Adult Social Care:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Children and Adults Commissioning <input type="checkbox"/> Adult Partnership <input type="checkbox"/> Adult Social Care <input type="checkbox"/> NHS Advisory Service <input type="checkbox"/> Healthwatch <p>Children:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Torbay Youth Trust <input type="checkbox"/> Torbay Public Service Trust <input type="checkbox"/> Improvement and Performance <input type="checkbox"/> Schools <input type="checkbox"/> Children’s and Young People <p>Safeguarding:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Children’s Safeguarding and Wellbeing 	<ul style="list-style-type: none"> <input type="checkbox"/> Director of Adult Services <input type="checkbox"/> Director of Children’s Services <input type="checkbox"/> Assistant Director of Safeguarding
<p>Executive Lead for Business</p> <p>Councillor Richard Haddock</p>	<p>Business Services:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Joint Ventures and Arms Length Companies <input type="checkbox"/> Town Centres <input type="checkbox"/> Business Improvement Districts <p>Customer Services:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ICT <input type="checkbox"/> Corporate debt and creditor payments <input type="checkbox"/> Business Rates <input type="checkbox"/> Libraries 	<ul style="list-style-type: none"> <input type="checkbox"/> Assistant Director of Community and Customer Services <input type="checkbox"/> Assistant Director of Corporate and Business Services <input type="checkbox"/> Executive Head of Business Services <input type="checkbox"/> Executive Head of Customer Services

3.
 - (i) The Executive Lead for Business (Councillor Richard Haddock) will be responsible for the discharge of all executive functions relating to the regeneration of the Castle Circus area of Torquay as the elected Mayor owns properties in this area and has a pecuniary interest;
 - (ii) The Executive Lead for Adults and Children (Councillor Julien Parrott), in consultation with the and Executive Lead for Planning, Transport and Housing (Councillor Mark King), will be responsible for the discharge of all executive functions relating to the contract for housing pathway for single vulnerable adults;
 - (iii) The Executive Lead for Tourism, Culture and Harbours will be responsible for the discharge of all executive functions relating to tourism due to the perceived concerns of the public in respect of the Mayor’s interests in the tourism sector.
 - (iv) The Deputy Mayor will be responsible for the discharge of executive functions if the elected Mayor:
 - (a) is absent (e.g. on holiday) for a period of time or in cases of urgency where the Chief Executive is satisfied that the elected Mayor cannot be reasonably contacted;
 - (b) is incapacitated through illness; or
 - (c) has a pecuniary interest in any matter requiring determination.
 - (v) If the elected Mayor or the Deputy Mayor (Councillor Derek Mills) are unable to act on a matter requiring a decision then the Chief Executive shall have the power to determine any matter requiring a decision.
4. The Mayor has established two Executive Committees namely the Policy Development and Decision Group (Joint Operations Team) and the Policy Development Group (Joint Commissioning Team) which meet in public on a monthly basis in accordance with the Standing Orders – Executive, Committees, Access to Information and Budget and Policy Framework. Their membership and Terms of Reference are included in Schedule 4 – Terms of Reference of the Constitution.
5. No executive functions have been delegated to area committees, any other authority or any joint arrangements at the present time.
6. The elected Mayor has also (so far as lawful) delegated to officers the discharge of those functions that are referred to in Schedule 7 and are executive functions in the manner set out in that Schedule, in accordance with (and subject to) the Council’s Standing Orders in relation to the Executive.
7. So far as the Constitution requires officers to consult with “the relevant member”, the areas of responsibility of the Executive Leads are as set out paragraph 2 above.



Meeting: Council

Date: 22 June 2017

Wards Affected: All Wards

Report Title: Provisional Outturn 2016/2017 – Subject to External Audit

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 Financial Officer,
Martin.phillips@torbay.gov.uk

1. Purpose and Introduction

- 1.1. The revenue outturn report provides a summary of the Council's revenue income and expenditure for the financial year 2016/17.
- 1.2. A separate report will be presented to Council of the final capital outturn position.
- 1.3. For 2016/17 the Council's revenue budget had an overspend of £2.1m which will be funded, as planned in the 2017/18 Review of Reserves, from the Comprehensive Spending Review Reserve.

2. Proposed Decision

- 2.1. That the revenue outturn position for 2016/17 be noted.

3. Reason for Report

- 3.1. The Council's accounts must be finalised and signed by the Chief Finance Officer before the end of June each year in accordance with statute. The 2016/17 accounts are available from the Council website:

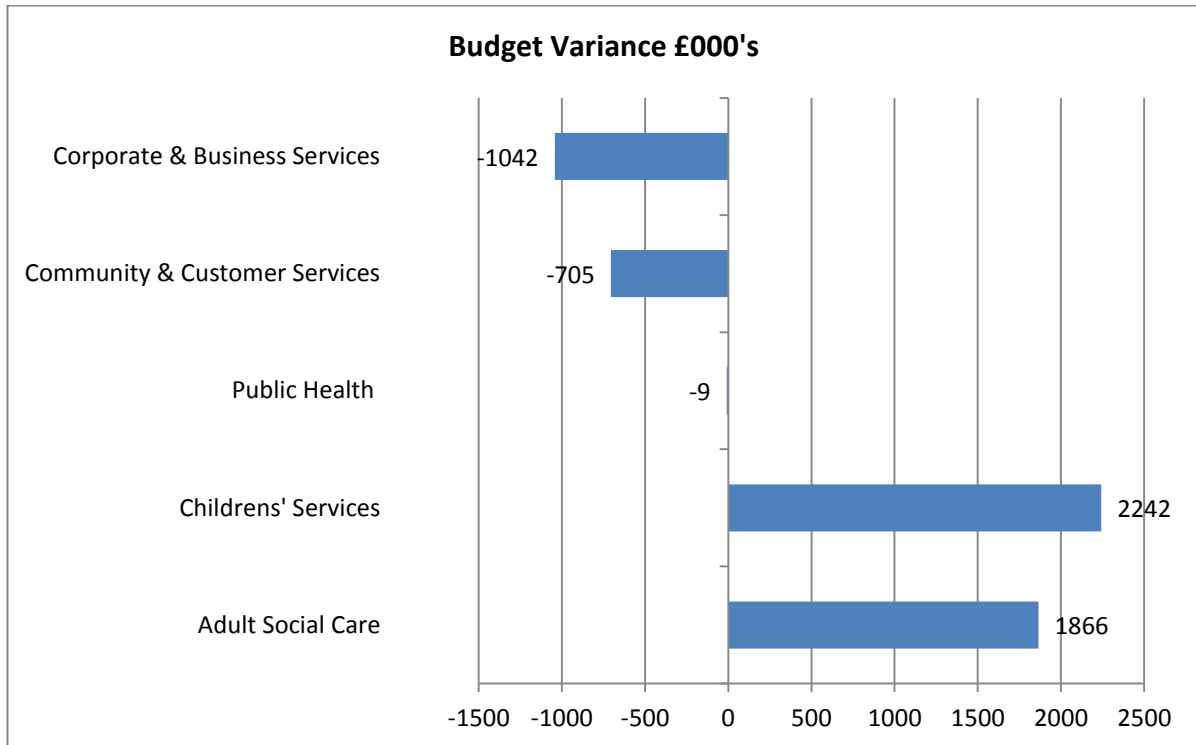
<http://www.torbay.gov.uk/index/yourcouncil/financialservices/statementofaccounts.htm>

The presentation of the financial outturn report concludes the regular reporting to Council on its 2016/17 revenue income and expenditure and makes recommendations to Members with respect to any uncommitted budgets there may be available at year end.

Supporting Information

4. Position

- 4.1 The Council's revenue outturn for 2016/17 was an overspend of £2.1m or 1.9%, on a net budget of £112.2m, an improvement from the quarter three reported position. A summary of outturn compared to budget for each Executive Head area after carry forwards is as follows:



- 4.2 As previously reported the significant variances in year was within social care both childrens and adults services. The overspend on childrens was, after the application of £1.1m of reserves, £2.2m and the overspend on adult social care was £1.9m.
- 4.3 This overspend in social care was partly offset by a net underspend and/or additional income across other Council services including the impact of the MRP Review during the year.
- 4.4 The outturn position indicated in this report is the final position subject to the Council's external auditors, Grant Thornton, completing their annual audit of the accounts in June and July 2017. As part of any audit review, there is the possibility that changes may be made to the overall outturn position for the Council. However, should any variations to the figures be necessary these are not expected to be materially significant.
- 4.5 Carry Forwards
- 4.6 There are no carry forwards being reported for approval by members. As approved by Council in April 2017 the underspend on the 2016/17 transformation budget (of £0.350m) has been rolled forward and an allocation will be made to support the

transformation projects for town centre regeneration through a specific reserve for the staffing required to achieve pace and scale on the schemes.

4.7 Net Revenue Expenditure

4.8 Net revenue expenditure after transfers to/from reserves was £114.5m. A summary of expenditure compared to outturn position for each service area is as follows:

Service	2016/17 Budget- revised			Full Year Variance as at Qtr 4 £000's	Direction of Travel (Qtr 4 to Qtr 3)
	Expenditure £000s	Income £000's	Net £000's		
Adult Social Care	41,631	(1,583)	40,048	1,866	R
Children's Services	77,995	(49,040)	28,955	2,242	R
Public Health	11,184	(1,292)	9,892	(9)	G
Joint Commissioning	130,810	(51,915)	78,895	4,099	R
Community Services	30,603	(6,484)	24,119	(301)	G
Customer Services	73,511	(69,694)	3,817	(404)	G
AD Community & Customer Services	104,114	(76,178)	27,936	(705)	G
Commercial Services	6,611	(1,555)	5,056	(87)	R
Finance	19,342	(19,074)	268	(641)	G
Business Services	8,687	(12,995)	(4,308)	(325)	G
Regeneration & assets	6,356	(2,050)	4,306	11	R
AD Corporate & Business Services	40,996	(35,674)	5,322	(1,042)	G
Total Expenditure	275,920	(163,767)	112,153	2,352	
Sources of Funding	-	(112,153)	(112,153)	(255)	G
Net Expenditure	275,920	(275,920)	0	2,097	G

4.9 A brief summary of the main variances and the principal reasons for any underspends or overspends within each directorate are summarised below:

Service	Variance to Budget £m	Main Variances in 2016/17
Adult Social Care	1.9	<p>From 1st October 2015 the Integrated Care Organisation started. The Council has a 9% risk share agreement from that date based on the total financial position of the Torbay and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of approximately £400m. Financial performance of SDH is reported to its board – minutes are available on the link below:</p> <p>http://www.torbayandsouthdevon.nhs.uk/about-us/board-meetings/</p> <p>The overspend for the Council's share of the ICO overspend is £1.7m (Qtr 3:£1.7m). This is in addition to the additional funds the Council provided as part of the Annual Strategic Agreement agreed by Council in July 2016.</p> <p>In other adult social care budgets there is a continuation of the prior year pressures on the Joint Equipment Store of £0.1m. The ICO have agreed to fund 1/3rd of the overspend on this service which has reduced the impact on the Council.</p>
Childrens Services	2.2	The overspend is a combination of delays in the planned reduction in staffing levels and higher than forecast placement expenditure. In addition there are increased cost pressures on special guardianships, short term breaks and section 17 grant allocations.
Public Health	0	Ring fenced budget
Community Services and Customer Services	(0.7)	Projected overspends on Housing are offset by a projected saving from the 'Energy from Waste' plant, salary savings across a number of services, the moratorium on spend, additional grant funding and recovery of Housing Benefit overpayments.
Commercial and Business Services	(1.0)	Projected savings on audit fees, grant income, "corporate" pension payments, the change in the MRP policy approved by Council in September 2016 and salary savings across a number of services, offset by a budget pressure on treasury management arising from lower rates on investments and a delay in implementing changes to some staff terms and conditions.
Sources of Finance	(0.3)	Additional Education Support Grant linked to timing of Academy school transfers
Total	2.1	

4.10 Schools

4.11 An overspend has been declared for Schools Block Activities (DSG) primarily linked to the costs of supporting pupils with high needs, this position will be reported and

discussed with the Schools Forum. Members are reminded that the Dedicated Schools Grant can only be used for schools related activities.

4.12 Schools will be carrying forward balances of £1.9m (£2.4m 15/16) of their delegated funds from 2016/17 to 2017/18 – these resources are earmarked for schools related expenditure. The balance on this reserve will continue to reduce as schools continue to convert to Academies.

4.13 Public Health

4.14 A balanced budget position of £9.8m has been declared for Public Health services, which are funded from a ring fenced grant, after drawing on reserves of £0.027m. This position will be reported to the Public Health England. Public Health will be carrying forward balances in total of £1.2m from 2016/17 to 2017/18. These resources are earmarked for public health related expenditure.

4.15 Exit Packages

4.16 In 2016/17 the Council incurred £0.5m of costs associated with exit packages for staff, mostly linked to the ongoing Council budget reductions and some costs relating to school based staff.

4.23 Reserves

As an earmarked reserve will be used to fund the 2016/17 overspend there is no movement in the Council's general fund reserve. The balance remains at £4.6m, a level equal to 4.2% of the Councils 2017/18 net revenue budget. The identified target level in the 2017/18 Review of Reserves report was 5%.

4.24 A review of all Council reserves is completed on an annual basis as part of the budget setting process for the forthcoming financial year. Subject to any adjustments post external audit a summary of Council reserves as at 31st March 2017 were as follows:

Reserve	31/3/16	31/3/17	Notes:
General Fund Reserve	4.4	4.6	Equal to 4.2% of 2017/18 net budget
CSR Reserve	3.7	4.4	Review of Reserves 2016/17 transferred funds to this reserve, of which £2.1m was used to fund 2016/17 overspend
Schools Reserve	2.4	1.9	Ring Fenced for school use
Public Health Reserve	1.2	1.2	Ring Fenced for Public Health use
Earmarked Reserves	19.2	15.5	
Total Reserves	29.7	27.6	

4.25 During 2016/17, as planned, £1.1 million was applied to support Childrens Services from reserves.

- 4.26 As noted in the summary to this report the general fund reserve is at £4.6m a level equal to 4.2% of the 2017/18 net revenue budget. This is below the target level of 5% which reflects the level of financial risks facing the Council.
- 4.27 The CSR reserve, a reserve set up a few years ago to support the Council through the period of funding reductions is £4.4m as at year end. The balance of the reserve was increased as a result of the 2017/18 Review of Reserves by £2m. The reserve was primarily used in year to fund £2.1m of the 2016/17 overspend and a number of specific issues such as transitional funding of £0.2m for the tourism company. In 2017/18 the reserve may need to be used to fund any further costs of the judicial review on care homes dating back to 2014/15 after the Council appeal is heard in June 2017.
- 4.28 Financial Risks as at 31/3/17
- 4.29 There are a number of financial risks facing the Council; the key risks are identified below.

Risk	Impact	Mitigation
Achievement of approved savings for 2017/18	High	17/18 Budget monitoring and "saving tracker" monitored by senior staff.
Potential cost impact of the Council's 9% risk share of total ICO performance	High	Monthly information is being provided by the ICO to Council supported by "contract" meetings
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2017/18 social care contingency to fund if required.
Future of ASC contract following ICO notice to terminate current risk share arrangement from January 2018	High	High priority issue for Councils senior leadership team and close working with ICO colleagues to resolve issues
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan.
Identification, and achievement, of £17.4m of savings for 2018/19 to 2020/21	High	Issue identified in Medium Term Resource Plan. Four year Efficiency Plan now available which was presented to Council in September and forwarded to DCLG in October. Transformation Team set up to coordinate the implementation of potential transformation savings.
Additional demand for services particularly in childrens' social care	High	17/18 Budget monitoring, use of service performance data and recovery plan.

Ability of ICO to deliver a balanced budget in 2017/18 and to prevent further increases in expenditure in year.	High	Regular monitoring of performance and financial performance with challenge to ICO on cost improvements. Use of £3.8m additional adult social care grant.
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4.30 Revenue Grant and S106 Carry Forwards

4.31 Where the Council receives grant funding from central government or other funding sources, such as S106 of CIL developer contributions, which have not been spent as at year end, these are carried forward into an earmarked reserve or as a "receipt in advance". These are held on the Council's balance sheet at year end and will be brought forward into 2017/18.

4.32 Collection Fund

4.33 As a billing authority the Council is responsible for collection of, and subsequent distribution of, Council tax and Business Rates (NNDR) in the Torbay area.

4.34 The actual Council Tax surplus of the Collection fund was in line with the 2017/18 budget estimate of the surplus. (Torbay share 84%).

4.35 There was an in year deficit of £0.5m on the NNDR part of the collection fund compared to the 2016/17 budget estimate of the position. The Council's 49% share of this deficit will be funded from the 2018/19 budget. The financial impact of the position on NNDR and the Council's share of NNDR under the Business Rate retention scheme are particularly volatile. This arises from central government changes to NNDR, the Council's membership of a Devon Wide NNDR "pool" and changes in actual NNDR collection including the impact of backdated NNDR appeals. The final NNDR position for 2016/17 including the Devon wide pool will not be finalised until September 2017, therefore the Council's revenue outturn for NNDR shows a balanced position with any variance transferred to the NNDR reserve until the 2016/17 position is finalised.

4.36 Statement of Accounts

4.37 This report deals with the Council's management accounts for 2016/17. The Council's statutory Statement of Accounts for 2016/17 will be a public document in June, (available on the Council's website), and will be presented to Audit Committee for Approval in July 2017 along with the external auditors report on those accounts. The Statement of Accounts is a more detailed document, produced in line with accounting guidance and will contain more detail on the Council's 2016/17 financial position. The accounts are subject to an extensive external audit.

4.38 Capital Outturn and Treasury Management Outturn

4.39 The Council's capital outturn for 2016/17 will be presented to Council as a "sister" report to the revenue outturn report.

4.40 The Council's Treasury Management outturn report on the Council's borrowing and investment activity in 2016/17 including the prudential indicators for capital expenditure and its financing is presented to Audit Committee and Council.

4.41 Subsidiaries and Associates

4.42 The Council has 100% ownership of three companies and a shareholding in three others. The financial performance (based on draft accounts) of these companies as at 31/3/17 is as follows.

Company	Council share	Surplus/(Deficit) for year	Net Equity - Surplus/(Deficit)
	%	£m	£m
Torbay Development Agency (TDA)	100	(1.8)	(0.2)
English Riviera Tourism Company (ERTC)	100	0.2	0
Oldway Mansion Management Company	100	0	0
<i>TOR2 – (year end June 2016)</i>	<i>19.99</i>	<i>0.5</i>	<i>(1.0)</i>
Career's South West (pre IAS19)	25	To follow	To follow

4.43 All companies with defined benefit pension schemes had a loss in year with a decreased net equity due to changes in the discount rate used by the actuary in calculating the overall pension liability.

4.44 In 2015/16 The Torbay Public Services Trust was set up as a Company Limited by Guarantee with Torbay Council one of six owners. In 2016/17 Complete Facilities Management Services limited was set up as a subsidiary to the TDA. In 2016/17 neither company was trading.

4.45 Debtors

4.46 The key issues with respect to debtors are:

	2015/16 in year collection rate %	2016/17 in year collection rate %	2016/17 Income Collected £m	Arrears/Due as at 31/3/17 £m	Write offs in 2016/17 £m
Council Tax *	95.7	95.5	72.7	5.8	0.6
NNDR *	95.7	96.6	37.8	1.8	0.6
Sundry Debtors	n/a	n/a	n/a	3.7	0.1

Note * - total due, not Torbay share.

5. Possibilities and Options

5.1 Not applicable as report to note.

6. Fair Decision Making

6.1 Not applicable

7. Public Services (Social Value) Act 2012

7.1 Not applicable

8. Risks

8.1 There is a risk that the Council will have insufficient reserves to meet any unforeseen events. The maintenance of the general fund balances of £4.6m and the (future target) of the Comprehensive Spending Review Reserve at a minimum balance of £2m will assist in ensuring the Council's reserves are sufficient to assist with its medium term financial planning and manage unforeseen events.



Meeting: Council

22 June 2017

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Outturn 2016/17

Is the decision a key decision? No

When does the decision need to be implemented? ASAP

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

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

1. Proposal and Introduction

- 1.1 This report informs Members of the performance of the Treasury Management function in supporting the provision of Council services in 2016/17 through management of cash flow, debt and investment operations and the effective control of the associated risks.
- 1.2 The headline points of the report are:
 - New borrowing of £15 million taken to fund the Capital Investment
 - The Council has moved to an under borrowed position (against the Capital Financing Requirement) at the end of the year
 - Annual investment rate achieved exceeded the market and peer benchmark levels
 - Termination of the external investment management arrangement with Aberdeen Asset Management Ltd by mutual agreement
 - New Investment in the CCLA Local Authorities Property Fund
 - Treasury Management activities were underspent by £800k against the approved budget target

2. Reason for Proposal

- 2.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual outturn report reviewing treasury management activities and the actual prudential and treasury indicators for 2015/16.

- 3.2 This report also meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3. Recommendation(s) / Proposed Decision**
- 3.1 That the Treasury Management decisions made during 2016/17, as detailed in the submitted report be noted; and**
- 3.2 That the performance against the approved Prudential and Treasury Indicators as set out in Appendix 1 to this report be noted.**
- 4. Background Information**
- 4.1 Treasury management is defined by the Code of practice 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 During 2016/17 the minimum reporting requirements were that full Council should receive the following reports:
- An annual treasury strategy in advance of the year (Council 3rd February 2016)
 - A mid-year review report (Council 21st September 2016)
 - An annual report following the year describing the activity compared to the strategy (this report)
- 4.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by Members.
- 4.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to the above strategy and mid-year treasury management reports by the Audit Committee before they were reported to full Council. Member training on treasury management issues was undertaken in July 2015 in order to support members’ scrutiny role.
- 4.6 Treasury Management strategies were planned and implemented in conjunction with the Council’s appointed advisors, Capita Asset Services although the Council officers were the final arbiters of the recommended approach.
- 4.6 This report covers:
- The Economy and Interest rates
 - Treasury Position at year end;
 - The Strategy for 2016/17;
 - Borrowing Outturn for 2016/17;
 - Investment Outturn for 2016/17;

- Revenue Budget Performance;
- Reporting Arrangements and Management Evaluation
- Loans to Organisations
- Prudential and Treasury Indicators (Appendix1)

5. The Economy and Interest Rates

- 5.1 A commentary provided by Capita Asset Services is presented at Appendix 2 to the report.

6. Overall Treasury Position as at 31 March 2017

- 6.1 At the beginning and the end of 2016/17 the Council's treasury position was as follows:

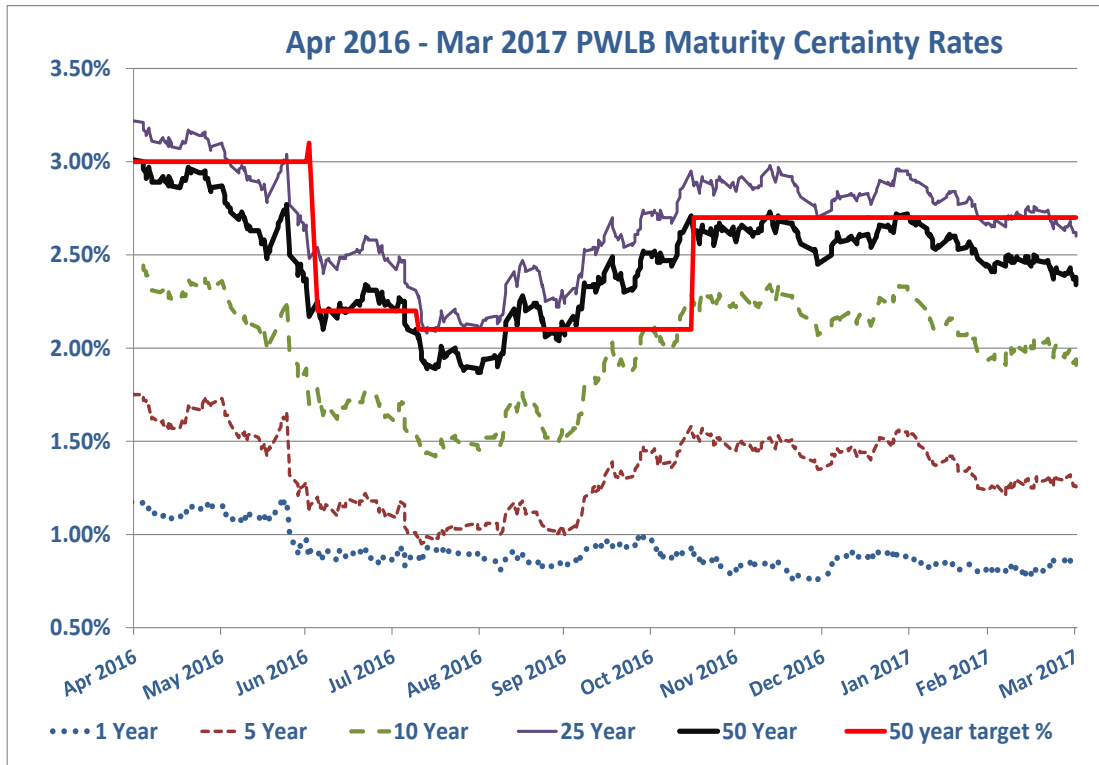
TABLE 1	31 March 2016 Principal	Rate/Return	Average Life yrs	31 March 2017 Principal	Rate/Return	Average Life yrs
Borrowing	£138.1m	4.39%	26.5 years	£153.1m	4.17%	26.3 years
Other long term liabilities	£20.2m	5.26%	11.5 years	£19.6m	5.14%	18.9years
Total debt	£158.3m	4.44%	25.7 years	£172.7m	4.25%	25.5years
CFR	£151.1m			£174.3m		
Over/(under) borrowing	£7.2m			£(1.6)m		
Total investments	£54.6m	0.91%		£41.7m	0.91%	
Net debt	£103.7m	3.48%		£131.0m	3.24%	

7. The Strategy for 2016/17

- 7.1 The 2016/17 approved strategy anticipated the need to fund new capital schemes with £10 million of new borrowing required to restrict the level of internal borrowing and maintain sufficient cash to back core funds.
- 7.2 The perceived risk to Bank Rate and the affect on investment rates were to the downside (rates expected to fall) and the Annual Investment Strategy approved the continued use of longer term deposits for available cash to lock into higher rates and provide a guarantee of return.
- 7.3 The decision by Council in September 2016 to expand the Capital Investment Fund from £10million to £50million required a substantial re-evaluation of the Treasury Management Strategy. Going forward the strategy will need to focus on managing the risks of the increased borrowing requirement and this is covered further in paragraphs 8.7 to 8.12 of this report.

8. Borrowing Outturn 2016/17

8.1 The graph below shows how PWLB certainty rates (new loan rates) have again fallen to historically very low levels during the year.



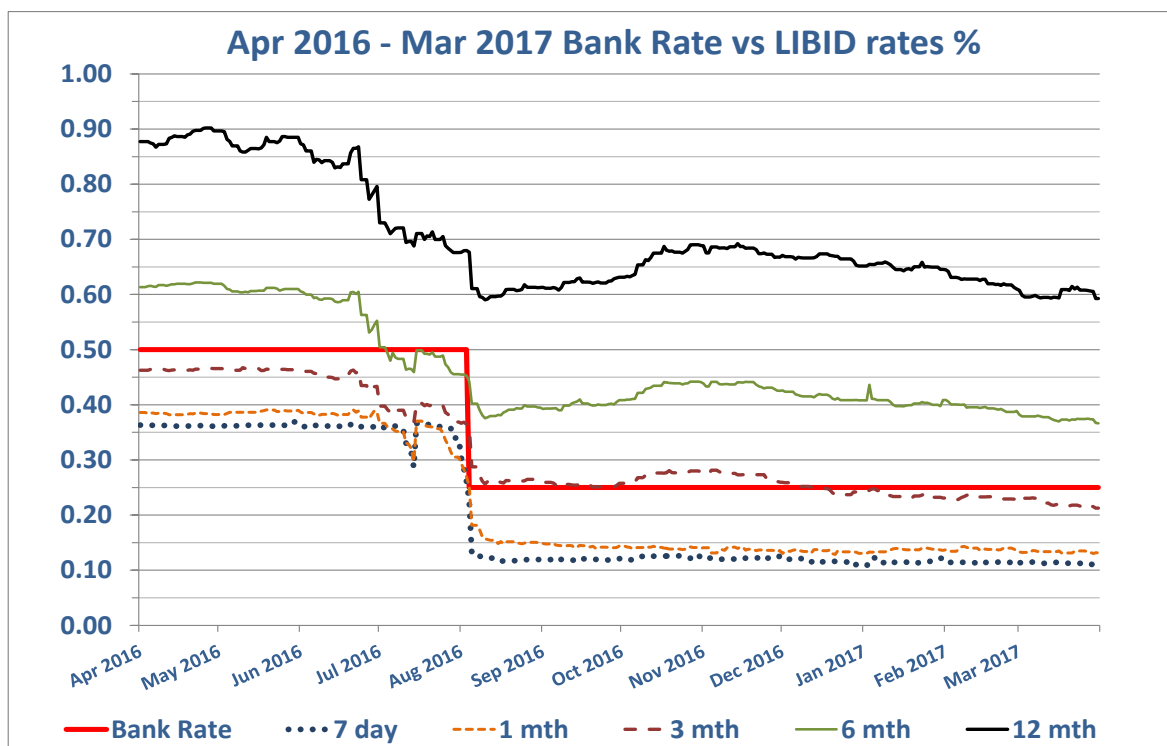
8.2 The Capital Financing Requirement (the Council's underlying need to borrow increased significantly from the original budget position following additional approvals to the Capital Plan.

8.3 The anticipated new borrowing was held off until the end of the year until resources were required to finance the Investment Fund purchase of Wren Park. On exchange of contracts Officers were able to take advantage of a fall in rates to a six month low to take loans of 44 years (£5M) and 10 years (£5M) at 2.54% and 1.42% respectively. A further loan over 45 years (£5M) was taken at 2.48% following a further drop in the market prior to completion.

8.4 As a result of the new loans the borrowing portfolio (excluding other long term liabilities) has increased to £153.1million and the average rate of interest paid on all loans in 2016/17 was 4.37%.

9. Investment Outturn 2016/17

9.1 The movement in key market investment rates during 2016/17 are illustrated in the table overleaf.



- 9.2 After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.
- 9.3 In view of the pessimistic outlook for investment rates the Council had, prior to the start of 2016/17, locked out £12million of deposits longer term to other Local Authorities at an average rate of 1.00%.
- 9.4 Strategic investments during the year were predominantly limited to six months duration to adhere to counterparty limits while maximising available returns. In expectation of the Bank Rate cut in August £13 million was locked out for one year duration with Nat West to protect returns.

- 9.5 Exposure in peer-to-peer lending was increased during the year following the success of the initial experimental period. Lending through the Funding Circle reached £230,000 by the end of the year and the performance of the holding at 31st March 2017 is summarised below:

Funding Circle (peer to peer lending) 2016/17	
Total Invested	£230,000
No. of loan parts	503
Interest earned	£17,741
Average principal	£206,233
Gross yield	8.60%
Return net of fees and bad debts	5.58%
Bad debts written off	£4,293
Bad debts as a proportion of principal invested	1.84%
Expected bad debt rate of portfolio (long term)	0.90%
<u>Risk Analysis</u>	
Proportion of secured/unsecured loans	
- Secured	61%
- Unsecured	39%
Proportion of loans by credit rating	
- A+	71%
- A	22%
- B	7%

- 9.6 During 2016/17 the Chief Finance Officer implemented a restriction on Funding Circle operations to only loans where the Council held a first charge on borrower assets.
- 9.7 Unrelated to this, Funding Circle has recently advised that they are changing their business plan to focus on loans to small businesses loans and will scale down new property development loans. As property development loans provide the first charge criteria, this effectively means that the policy restriction in 9.6 will result in the Funding Circle investment being unwound as loans mature. As a result of this change the restriction (para 9.6) will be reviewed in 2017/18.
- 9.8 Officers continue to review other peer-to-peer providers but as yet none have been found that satisfy the two major criteria; (a) a credit rating policy and (b) a first charge on borrower assets in the event of default.
- 9.9 **Externally Managed Investments** – The external management agreement with Aberdeen Asset Management Ltd (AAM) was terminated by mutual consent in February 2017. Due to market conditions, management of the Council’s holding had become confined to transacting in AAM’s short term liquidity fund and the Council will continue to deal directly in this Fund.
- 9.10 Also in February 2017, the Chief Finance Officer elected to enact a standing Council approval and invest in the CCLA Local Authorities Property Fund. A sum of

£3 million was paid into the Fund as a long term investment. Entry fees paid have been taken to a specific Reserve in the Council's balance sheet to be offset by expected fund growth in future years.

- 9.11 **Performance Analysis** - Detailed below is the result of the investment strategy undertaken by the Council. Despite the continuing difficult operating environment the Council's investment returns remain well in excess of the benchmark.

	Average Investment Principal	Rate of Return (gross of fees)	Rate of Return (net of fees)	Capita Benchmarking Club		Market Benchmark/ Target Return
				Peer LA Comparison	English Unitaries	
Internally Managed	£42.1M	0.95%	na	0.77%	0.86%	0.20%
Aberdeen Short Liquidity Fund*	£15.6M	1.12%	0.98%			0.20%
CCLA Property Fund	£0.3M	4.82%	4.22%			
Combined	£58.0M	1.01%	0.96%			0.20%

* Reported as an externally managed investment including the period following termination of the Agreement

- 9.12 In interest terms, the in-house treasury function contributed an additional £440,000 (after fees) to the General Fund over and above what would have been attained from the benchmark return.
- 9.13 A list of those institutions with which the in-house team invested funds during the year is provided at Appendix 3. No institutions with which investments were made showed any difficulty in repaying investments and interest in full during the year.

10 Revenue Budget Performance

10.1 The effect of the decisions outlined in this report on the approved revenue budget is outlined in the table below.

	Revised Budget 2016/17	Actual 2016/17	Variation
	£M	£M	£M
Investment Income	(0.9)	(0.6)	0.3
Interest Paid on Borrowing	6.1	6.1	0.0
Net Position (Interest)	5.2	5.5	0.3
Minimum Revenue Provision (MRP)	3.8	2.7	(1.1)
MRP re: PFI	0.5	0.5	0
PFI Grant re: MRP	(0.5)	(0.5)	0
Net Position (Other)	3.8	2.7	(1.1)
Net Position Overall	9.0	8.2	(0.8)

10.2 The position was regularly reported to OSB and Council throughout the year as part of the budget monitoring reports to Members

11 Reporting Arrangements and Management Evaluation

11.1 The management and evaluation arrangements identified in the annual strategy and followed for 2016/17 were as follows:

- Monthly monitoring report to Executive Lead for Finance, Chief Finance Officer and Group Leaders
- Regular meeting of the Treasury Manager and Finance Manager to review previous months performance and plan following months activities
- Regular meetings with the Council's treasury advisors
- Regular meetings with the Council's appointed Fund Manager
- Membership and participation in Capita Treasury Services Investment Benchmarking Club

12 Loans to Organisations

12.1 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 31/03/17	Full Term of Loan	Rate
Torbay Economic Development Company*	£575,000	25 years	Linked to Council borrowing Rate
Torbay Economic Development Company	£1,463,773	25 years	Linked to Council borrowing Rate
Academy Schools	£66,686	3 to 7 years	Linked to Council borrowing Rate
Babbacombe Cliff Railway	£7,000	10 years	Linked to Council Borrowing Rate
Sports Clubs	£31,544	10 - 20 years	Linked to Council Borrowing Rate
Suttons Seeds Ltd **	£1,500,000**	3 years	Market rate
Torbay Coast & Countryside Trust	£895,000	45 years	Linked to Bank Base Rate
Torbay Coast & Countryside Trust – Green Heart Project	50,000 (37,500)	4 years	Linked to Bank Base Rate

*Not fully drawn down as at 31st March 2017

**Original advance repaid and no further drawdowns on the facility to date (expires 2017)

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

Appendices

Appendix 1: Prudential and Treasury Indicators 2016/17

Appendix 2: The Economy and Interest Rates

Appendix 3: Counterparties with which funds have been deposited in 2016/17

Background Documents

Appendix 1

Prudential and Treasury Indicators 2016/17

Capital Expenditure and Financing 2016/17

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need (though the timing of borrowing may be delayed through the application of cash balances held by the Council).

The actual capital expenditure forms one of the required prudential indicators and is shown in the table below.

	2015/16 Actual £m	2016/17 Revised Budget £m	2016/17 Actual £m
Total capital expenditure	23	42	37

*

Capital Financing Requirement

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's net debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2016/17 unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been financed by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWL] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively the reserving of funds for repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. The Council's 2016/17 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2016/17 on 3rd February 2016 and amended on 22nd September 2016.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's CFR for the year represents a key prudential indicator analysed below. This includes PFI schemes on the balance sheet, which increase the Council's long term liabilities. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR (£m)	31 March 2016 Actual	31 March 2017 Revised Indicator	31 March 2017 Actual
CFR at Year End	151.1	174.8	174.3

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit presented at Appendix 1 to this report.

Net borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2016/17 plus the expected changes to the CFR over 2017/18 and 2018/19. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR (£m)	31 March 2016 Actual	31 March 2017 Actual
Opening balance	135.3	151.1
Capital expenditure in year funded from borrowing	7.7	26.6
EFW PFI Liability	12.4	-
Minimum Revenue Provision	(4.3)	(3.4)
CFR at Year End	151.1	174.3
Net borrowing position	103.7	131.0

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2016/17 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. Borrowing levels were maintained well below the operational boundary throughout the year.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term liabilities net of investment income) against the net revenue stream.

	2016/17
Authorised limit	£234m
Maximum gross borrowing position	£173.3m
Operational boundary	£207m
Average gross borrowing position	£165.5m
Financing costs as a proportion of net revenue stream	8.1%

Treasury Indicators:

Maturity Structure of the fixed rate borrowing portfolio - This indicator assists Authorities avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.

	31 March 2017 Actual	31 March 2016 Proportion	2016/17 Original Limits Upper- Lower
Up to 10 years	£24M	16%	5% - 50%
10 to 20 years	£26M	17%	5% - 50%
20 to 30 years	£38M	25%	10% - 60%
30 to 40 years	£37M	24%	10% - 50%
Over 40 years	£28M	18%	0% - 50%

Principal sums invested for over 364 days - The purpose of this indicator is to contain the Council's exposure to the possibility of losses that might arise as a result of it having to

seek early repayment or redemption of principal sums invested. The Actual figure reflects deposits and the recent £3M investment in the CCLA Property Fund

	2015/16 Actual	2016/17 Limit	2016/17 Actual
Investments of 1 year and over	£22M	£28m	£15m

Exposure to Fixed and Variable Rates - The Prudential Code requires the Council to set upper limits on its exposure to the effects of changes on interest rates. The exposure to fixed and variable rates was as follows:

	31 March 2016 Actual %	2016/17 Upper Limits %	31 March 2017 Actual %
Limits on fixed interest rates:			
• Debt only	100	100	100
• Investments only	52	80	53
Limits on variable interest rates			
• Debt only	0	30	0
• Investments only	47	70	47

Appendix 2

The Economy and Interest Rates

By Capita Asset Services May 2017

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

Appendix 3

Counterparties with which funds were deposited (April 2016 – March 2017)

Banks and Building Societies

Bank of Scotland
Goldman Sachs International Bank
Lloyds Bank
Royal Bank of Scotland/National Westminster
Santander UK
Svenska Handelsbanken

Local Authorities

Lancashire County Council
Nottinghamshire Police and Crime Commissioner
Newcastle City Council

Other Approved Institutions

Public Sector Deposit Fund
Goldman Sachs Sterling Fund
Aberdeen Asset Management Ltd
Funding Circle
CCLA Local Authorities Property Fund