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Date: Friday, 14 September 2018

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Dear Member

COUNCIL - THURSDAY, 20 SEPTEMBER 2018

I am now able to enclose, for consideration at the Thursday, 20 September 2018 meeting of the Council, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
10.	Transformation project : The future development of the RICC site	(Pages 112 - 139)
12.	Elected Mayor's Response to Objection to Investment and Regeneration Fund Strategy	(Pages 140 - 167)
13.	Delivery and implementation of the Housing Strategy	(Pages 168 - 179)
14.	Local Government Reorganisation Options	(Pages 180 - 264)

Yours sincerely

June Gurry
Clerk



Meeting: Council

Date: 20 September 2018

Wards Affected: All Wards

Report Title: Transformation project : The future development of the RICC site

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Executive Lead Contact Details: Elected Mayor Oliver, Elected Mayor and Executive Lead for Assets, Finance, Governance and Corporate Services, Economic Regeneration and Transformation

Supporting Officer Contact Details: Kevin Mowat, Executive Head of Assets and Business Services 01803 208433 Kevin.Mowat@torbay.gov.uk

1. Proposal and Introduction

- 1.1. On the 1st February 2018 Council agreed to the production of a Design Brief/Masterplan for the current Riviera International Conference Centre (RICC) site and the surrounding area to enable the establishment of a clear strategy for the site post April 2020.
- 1.2. Since the decision taken in February 2018 a workshop engagement exercise has been undertaken, attended by Councillors and key stakeholders where it was recognised that a 'Market Brief' needed to be drafted to engage with potential developers/operators. There has also been a significant level of dialogue and negotiation with the current operators of the RICC regarding the extension of their lease.
- 1.3. It is proposed that the Market Brief will be used to identify a Strategic Development Partner to develop options for a vibrant, viable and creative redevelopment of this attractive part of Torbay and bring forward development options and solutions for the RICC site so as to determine the ultimate strategy for the site post April 2020. The Market Brief whilst setting out proposed development principles does not limit any proposal coming forward.
- 1.4. As such it is proposed that a procurement process is now undertaken to identify a preferred bidder to become the Councils Strategic Development Partner, as soon as possible, with the decision to award preferred bidder status, being presented to Council for approval in May 2019

2. Reason for Proposal

- 2.1. To approve the 'Market Brief' allowing the Council to undertake a procurement process to identify a Strategic Delivery Partner to establish development opportunities and solutions for the RICC site as soon as possible.
- 2.2. A decision in May 2019 should avoid the need for the Council to extend further the recently agreed lease arrangements.

3. Recommendation(s) / Proposed Decision

- 3.1. That Council approve the 'Riviera International Conference Centre Market Brief', as shown in Appendix 1 to the submitted report, and note that on this basis the Council will commence a procurement exercise to identify a Strategic Delivery Partner to establish development opportunities and solutions for the RICC.
- 3.2. That following the procurement exercise the decision to award the 'preferred bidder' to become the Council's Strategic Delivery Partner is presented to Council for approval in May 2019.

Appendices

Appendix 1: Riviera International Conference Centre Market Brief

Background Documents

N/A

Supporting Information

Section 1: Background Information	
1.	<p>What is the proposal / issue?</p> <p>On the 1st February 2018 Council agreed to the production of a Master Plan/ Design Brief for the current Riviera International Conference Centre (RICC) site and the surrounding area to enable the establishment of a clear strategy for the site post April 2020.</p> <p>Following the Council decision a workshop was held attended by Councillors and key stakeholders to engage in discussions on the future of the RICC.</p> <p>It was recognised and agreed at the workshop that the most appropriate way forward for the project was to progress with a 'Market Brief', rather than a Design Brief/Masterplan.</p> <p>Subsequently a Market Brief has been drafted, based on the feedback provided at the workshop, which sets out the key objectives of the Council to any future developer/operator of the site as well as identifying any constraints.</p> <p>It is proposed that the Market Brief will be used to identify a Strategic Development Partner to bring forward development options, and solutions for the RICC site.</p> <p>If the proposal to approve the Market Brief is accepted, a procurement process will need to be undertaken by the Council to identify the Strategic Development Partner - following this officers will present a report to Council in May 2019 where they will seek approval to award 'preferred bidder' status to the selected partner.</p> <p>It is also important for the Council to provide the RICC Board with certainty as to the Council's intentions for the RICC beyond April 2020 when the existing lease extension is due to expire. The RICC Board will require this clarity in May 2019 so that they can identify the impact on service delivery over the remainder of their lease term.</p>
2.	<p>What is the current situation?</p> <p>The current position is that the drafted Market Brief is proposed to be approved in September 2018 ahead of a procurement exercise to determine the preferred strategic partner to develop/operate the RICC beyond 2020.</p> <p>A further report will be presented to Council in May 2019 highlighting the results of the procurement exercise, identifying any preferred bidder, and recommending the next steps for the project.</p>

3.	<p>What options have been considered?</p> <p>The stakeholder workshop determined that a Design Brief and/or Masterplan would not represent the best way forward and it was agreed that a Market Brief should be developed.</p> <p>No other options have been considered at this stage however guidance from development experts supports the publishing of the attached Market Brief as part of the procurement process to ensure that the Council's intentions are adequately outlined to any future developer/operator.</p>
4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan?</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.
5.	<p>How does this proposal contribute towards the Council's responsibilities as corporate parents?</p> <p>Not applicable at this stage</p>
6.	<p>How does this proposal tackle deprivation?</p> <p>Not applicable at this stage</p>
7.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Key Stakeholders and Councillors were able to provide their initial views/feedback on the future of the RICC during the workshop held in May 2018. This feedback has been used to support the development of the attached Market Brief.</p> <p>Some initial soft market testing was undertaken in 2017 which included consultation with various operators and developers.</p> <p>A decision to agree the Market Brief and commence a procurement exercise does not require any further consultation.</p>

8.

How will you propose to consult?

Once the Council identify their preferred strategic partner for the future development/operation of the RICC the relevant consultation will need to be undertaken at the appropriate time.

Section 2: Implications and Impact Assessment

9. What are the financial and legal implications?

Financial Implications

The project costs will be within the budget agreed at Council in February 2018.

Legal Implications

The proposal to approve the Market Brief as outlined in the above report does not have any legal implications at this time.

Any procurement exercise undertaken will be carried out in accordance with the Public Contracts Regulations 2015 and Council Financial Regulations and Contract Procedures.

10. What are the risks?

- (i) If the Market Brief is not approved by Council then the timescale for procurement of a strategic partner will slip. This will delay the Council report intended for May 2019 and the preferred bidder status being awarded which in turn will delay the detailed work commencing for any development/operator solution.
- (ii) Any substantial delay in the process of reaching a decision about the future of the RICC is likely to extend the period of time that the Council is required to continue with the existing level of operating costs.
- (iii) There is a risk that the tender process will not produce an appropriate developer/operator with a sustainable solution for the RICC - this will only be known once the process is underway and/or completed.

<p>11.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>The requirements of the Social Value Act only apply where the Council is proposing to tender for the provision of services, or the provision of services together with the purchase or hire of goods or the carrying out of works. At this stage the expectation is that the Council will be tendering a lease opportunity and this will not therefore fall under the Act. Should the Council include any service requirements within the tender due consideration will be given as to whether what is being procured might improve the economic, social and environmental well-being of the relevant area and how, in conducting the process of procurement, it might act with a view to securing the improvement.</p>
<p>12.</p>	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>Some initial soft market testing was undertaken in 2017 which included consultation with various operators and developers. The Council decision taken in February 2018 approved the direction of the project to ensure that a long-term strategy is developed for the RICC. Further work has since been undertaken to engage with the RICC Board, Councillors and key stakeholders.</p> <p>A workshop engagement exercise was held in May 2018 where attendees (and non-attendees) were asked to give their aspirations for the site in future years and discuss the options. The associated feedback was used to help create the proposed Market Brief.</p>
<p>13.</p>	<p>What are key findings from the consultation you have carried out?</p> <p>The workshop engagement exercise with Councillors and stakeholders in May 2018 recognised that a Market Brief should be developed, something which had also been endorsed by commercial experts in the field. The Market Brief incorporates a summary of the feedback received from that exercise and also provides guidance to any future developer/operator as to the Council's expectations for the site.</p>
<p>14.</p>	<p>Amendments to Proposal / Mitigating Actions</p> <p>None.</p>

Equality Impacts

15	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 at this time
	People with caring Responsibilities			No differential impact at this time
	People with a disability			No differential impact at this time
	Women or men			No differential impact at this time
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			No differential impact at this time
	Religion or belief (including lack of belief)			No differential impact at this time
	People who are lesbian, gay or bisexual			No differential impact at this time
	People who are transgendered			No differential impact at this time
	People who are in a marriage or civil partnership			No differential impact at this time

	Women who are pregnant / on maternity leave			No differential impact at this time
	Socio-economic impacts (Including impact on child poverty issues and deprivation)			No differential impact at this time
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			No differential impact at this time
16	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	No differential impact at this time		
17	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	No differential impact at this time		



September 2018

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Site of the Riviera International Conference Centre

Market Brief



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Introduction

The area comprising the Riviera International Conference Centre and its surrounding land offers a unique prospect for an innovative redevelopment opportunity in central Torquay that supports the future prosperity of the town and provides community and social benefits to residents and visitors. The site is owned by the Council and this project provides a fantastic opportunity to improve upon the current leisure and conference centre offer through the potential provision of a high-quality hotel, conference, leisure and mixed-use development.

Initial expressions of interest are invited for the potential redevelopment of the whole site through a single developer proposal to include the redevelopment, relocation and rationalisation of the current leisure and conference offer; with potential for complementary hotel/ residential and retail development, suitable parking and access arrangements and appropriate public realm improvements as part of the scheme.

This Market Brief is intended to inform expressions of interest (EOI) enabling the selection of preferred bidders to take part in a competitive dialogue approach to develop options for a vibrant, viable and creative redevelopment of this attractive part of Torbay. The process will lead to an invitation to submit a proposal with the successful bidder being invited to work with the Council to deliver the redevelopment of the site as strategic development partner, based upon their expertise, experience and financial resource.

The Council is not seeking detailed designs and financial bids at this selection stage. Prospective development partners will be invited to formally register their interest through the Council's e-tendering portal www.supplyingthesouthwest.org.uk in accordance with the guidance set out in Part 1 Information of the tender documents.

The brief for this stage is not intended to be a planning or design brief and is intentionally seeking not to constrain imaginative and creative options being brought forward to maximise the opportunities presented. Proposals will however be expected to demonstrate the regard given to the character and heritage of the town, including its surrounding green spaces and the iconic Torre Abbey which sits adjacent.

It is expected that design and the use of materials will be of high quality and sympathetic to the surrounding built form. More information in relation to relevant planning policies is available on the Council's website and more detailed guidance on planning considerations will be provided through the competitive dialogue stage by an advisory team set up to give planning support to the project.

Key Success Factors

In considering the opportunity, developers are advised to take note of, what the Council consider are, the most desirable key success factors for the project. Please note that it is not necessary to achieve all of these to be successful. It is intended to give you a broad list of the potential outcomes and it is for you to determine which ones will enable a successful and sustainable redevelopment.

- **Improve capacity** to hold larger conferences and/or events (including music and exhibitions)
- Provide **hotel** accommodation for tourists/business
- Create a venue that does not require a Council subsidy and is **sustainable** going forward
- Create an enhanced **Tourist Attraction** and a **family-friendly environment**
- Make best use of grounds with **improved access** from beach to facilities and Torre Abbey
- Build a dynamic **all-weather leisure facility, to include swimming pool(s) and flexible outdoor events space**
- Strengthen development appeal by supporting **residential element**
- Expand services in **health and well-being** such as an improved gym and a spa offer
- Make full use of **views and landscape** and explore UNESCO Global Geopark linkages
- Enhance the links to **local culture, produce, art and history**
- Consider **high quality retail and hospitality** options to increase attraction, footfall and income
- **Increase employment** opportunities in Torbay

Torbay and the English Riviera

Torbay is primarily served by the A380 road from Exeter and the recent £110m investment in the South Devon Highway has significantly reduced travel times locally and regionally. The alternative coastal route through Teignmouth via the A379 passes through Torquay and Paignton and then goes on to Dartmouth. The A385 road also goes inland to Totnes and links to the A38 from which Plymouth and Exeter are easily accessible.

Torbay is served by three rail stations on the National Rail network, all operated by First Great Western. Torre railway station is inland on the road from Torquay to Newton Abbot whilst Torquay railway station is close to Abbey Sands on the seaside and only a 10 minute walk from the RICC. Paignton railway station serves the town and seaside resort and is a terminus of the mainline from Exeter. Further infrastructure investment will see further improvement to town centres as well as to increasing telecom links, broadband speed and capacity.

The English Riviera may be most famous for its micro climate that has contributed to its award-winning beaches, stunning natural environment and iconic palm trees but it has much more to offer with more attractions than any other resort in the UK and it is also a UNESCO Global Geopark. With its busy harbour and international marina, Torquay has been ranked in the top 10 for TripAdvisor's Traveller's Choice Awards for each of the last two years, reflecting its appeal.



Torbay has a population of c.130,000, which is anticipated to increase to c.150,000 by 2030, with much of the increase expected to be in Torquay. The population increases significantly during the holiday periods when visitors flock to the Bay to enjoy its many attractions.

Torquay offers a busy, year-round programme of top shows at the Princess Theatre, plus a huge choice of festivals and events, and the opportunity to engage with sea life at Living Coasts and the nationally recognised Paignton Zoo. Visitors can watch major sailing events from waterfront eateries or from a choice of world-class restaurants, or enjoy Torquay's vibrant nightlife, which includes a variety of pubs, bars, cocktail venues and clubs. Torquay's retail offer also features a wide range of recognised national brands and a selection of specialist shops.

Torquay, with RICC as its central conference facility, is an appealing conference destination to events and conference organisers. The town has been ranked amongst the top 25 UK destinations by event organisers in both 2015 and 2016, in British Meetings & Events Industry Survey (BMEIS) data.

The results of the Council's 2016 visitor survey confirm that the English Riviera continues to be a popular South West seaside destination and is highly thought of by its current visitors. The summary points of the survey show:

- The resort has a strong and loyal market attracting 97% of visitors from the UK and has an 87% repeat visitor rate;
- Resort promoters have significantly increased, reaching a high recommendation score of 70%, (increasing from 42% in 2012/13);
- The English Riviera attracts affluent visitors, with 54% of ABC1's recorded in the 2016 visitor survey (ABC1 is a term referring to a social economic group as identified in the ACORN classification <https://acorn.caci.co.uk>);
- 62% of visitors look for a 'traditional seaside experience' and is the main reason for visiting; and
- The area has a strong family market, seeing an increase in the proportion of families visiting (predominately during the peak summer months and main school holiday periods).



In 2015, the English Riviera attracted 4.6 million visitor trips, spending £436 million in the resort whilst employing 20% of the local population. In terms of total nights, this has been calculated at 4.6 million of which circa 4 million are from domestic visitors. In addition, the official English Riviera 2015 data has detailed that the average length of nights stayed is circa 6 nights (5.896).

The breakdown consisted of:

Indicator	Trips	Spend (£m)
Domestic Trips	1,084,000	274.40
Overseas Trips	95,600	36.30
Day Trips	3,389,000	125.30
Total	4,568,600	436.00

Development Opportunity

The Opportunity

An opportunity to invest in a prominent town centre site to complement existing retail and tourism offering in the town, which enjoys footfall from residents and visitors to Torbay.

The site offers potential for retail, leisure, conference, office, residential and hotel accommodation opportunities.

The Council's Vision

Torbay's Local Plan sets out five interconnected aspirations for the Bay:

- Secure economic recovery and success;
- Achieve a better connected, accessible Torbay and essential infrastructure
- Protect and enhance a superb environment;
- Create more sustainable communities and better places;
- Respond to climate change.

Economic recovery and success is closely linked to the quality of the environment. We know how important the environment is for tourism and we know businesses are more productive when employees have access to green spaces and activity.

'Torbay has significant strengths, including its status as a successful resort, high levels of business start-ups, some outstanding education provision and an increasingly active and engaged business community. These strengths justify optimism in Torbay's ability to exploit the opportunities that lie before us.'

Torbay Economic Strategy 2017-2022

We are committed to improving and further strengthening the English Riviera's national and international position and have recently set out a new Destination Management Plan to guide its actions to 2021. With prime investment sites, Torbay continues to bring forward ambitious, high quality new developments and is continually seeking partners to deliver transformational schemes. A successful outcome would see an increase in domestic and international visitors, an increase in visitor spend and further development of the town and the Torbay area.

More information on the ongoing investment in Torbay is available at

https://www.torbay.gov.uk/media/8645/160276_investment_brochure_print-ready_low-res.pdf
and <http://www.investintorbay.com/>.

Site Characteristics

The site is located on the northern side of Torbay Road, Torbay approximately 0.5km from the Town Centre and within a short walk of Torquay’s mainline station. The site comprises the Riviera International Conference Centre, its car park and adjacent tennis courts but has the capacity to extend into Abbey Park. The area is set in pleasant open parkland and gardens with provision made for tennis, golf and bowling. The land faces southward towards the sea, creating a welcoming environment for leisure visitors and a fantastic backdrop for conference events.

The site is bounded to the west by The King’s Drive. Chestnut Avenue runs along the top of the site and includes private housing, and the TLH Leisure Resort comprising four hotels and apartments. In between the Riviera International Conference Centre and Belgrave Road on the eastern side, a further series of medium size hotels are located.

A topographical survey will be available to developers which details the fairly steep rise from the sea to the top of the site. There are a number of mature trees within the site and areas of denser planting but a tree survey will also be available. Formal footpaths pass through the parkland and provide access to the Torre Abbey museum and conference facilities and to the outdoor recreational facilities. The core site comprises a total area of approximately 2.57 Ha/6.36 acres.

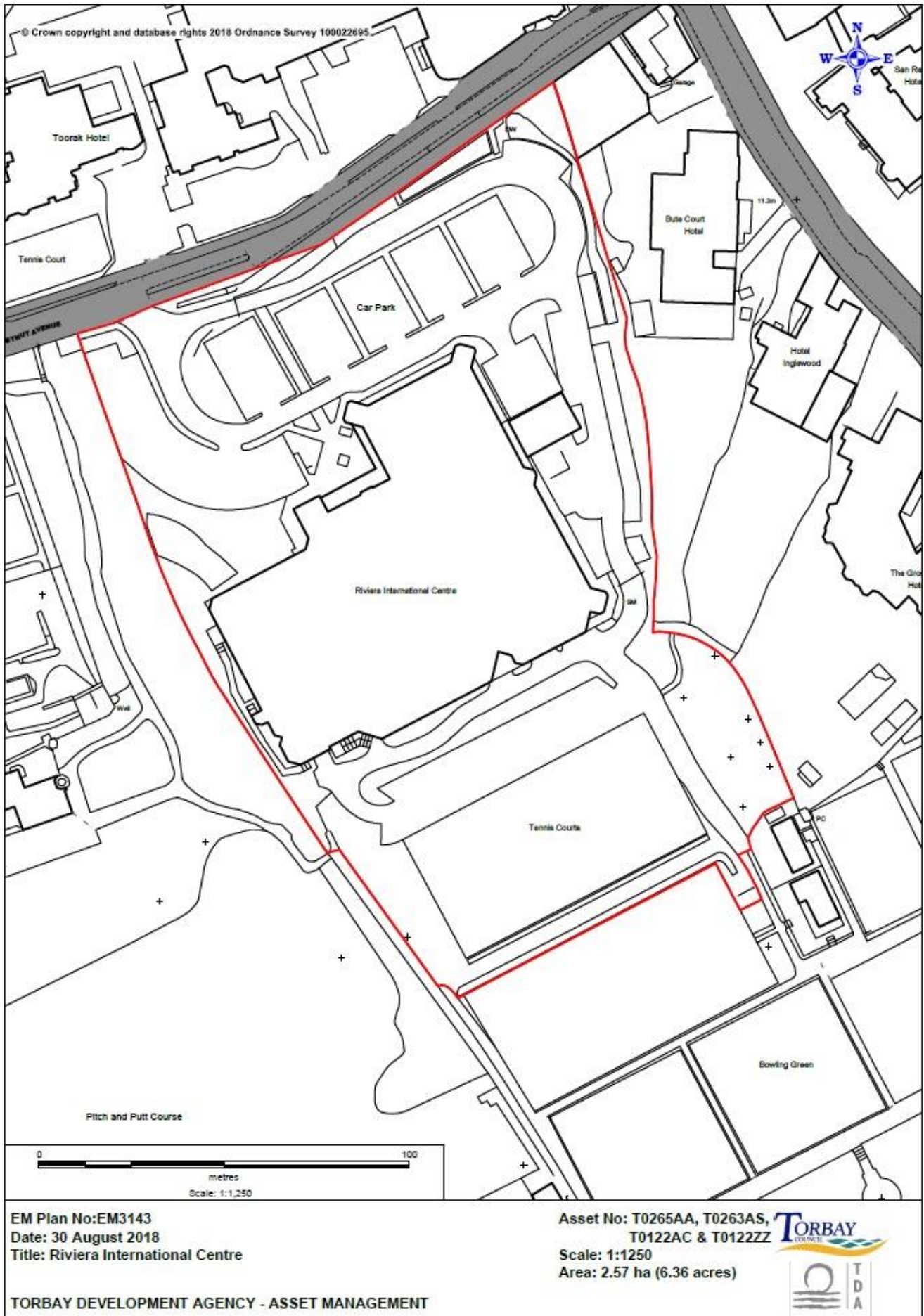
Figure 1 Aerial Plan of the Site



Figure 2 Aerial Site plan



Figure 3 B&W Site plan



Relevant Local and National Planning Policy

The Torbay Local Plan 2012-2030 “A Landscape for Success” was adopted in December 2015. It establishes the local planning framework for development, together with relevant adopted Supplementary Planning Documents (SPDs). Development will also need to have regard to national, regional and county level planning policies and guidance. The following policies and local advice will need to be considered:

Relevant National Government Guidance

National Planning Policy Framework (updated July 2018)

Relevant Regional Policies

Note that the list provided below is neither necessarily exhaustive nor sufficiently circumscribed at this stage but intends to capture the policies which are expected to be relevant and in scope in relation to potential development proposals.

Torbay Local Plan Relevant Adopted Policies

Further information will be provided to developers.

Details of the Local Plan can be found here: <http://www.torbay.gov.uk/media/6836/lp-2012to2030.pdf>

Torquay Neighbourhood Plan

There is an emerging Neighbourhood Plan which has been produced for the Torquay area. The plan is at an advanced stage in that it has been through an Independent Examination and therefore can be afforded some weight. The plan is awaiting a decision from the Council in September 2018 as to whether the plan will be taken forward to a referendum and, if so, in what form. The Torquay Neighbourhood Plan (as submitted) and the Independent Examiner’s Report can be viewed on the Council’s website. Updates will also be placed on these pages in due course.

<http://www.torbay.gov.uk/council/policies/planning-policies/neighbourhood-plans/torquay-np/>

Other Relevant Plans and Strategies

UK Marine Policy Statement and marine plans

Torbay Economic Strategy

English Riviera Destination Management Plan

Developer Provision/Contributions

(Planning Contributions and Affordable Housing Supplementary Planning Document (SPD), February 2017) and (Torbay CIL Charging Schedule)

<https://www.torbay.gov.uk/council/policies/planning-policies/local-plan/spd/>

<http://www.torbay.gov.uk/CIL>

Under the National Planning Framework, local planning authorities are required to set out the contributions expected from development.

Developers are to note that any potential scheme will be expected to contribute to the provision of local infrastructure necessary to make the development proposal sustainable in planning terms. Specific requirements of this scheme are not listed within this Market Brief, though it should be noted that contributions will be subject to discussion at pre-application (pre-planning) stage. The Councils relevant Planning Contributions and Affordable Housing SPD and CIL Charging Schedule should be referred to.

Design Principles

The key development objective is to provide regeneration of the location to deliver a sustainable future for the site as well as a strengthened tourism destination offer. The redevelopment will augment the role of this area in Central Torquay enabling it to play a vital part in Torbay's economy and quality of life.

Hotel and Conference, retail and leisure: Practical, and imaginative proposals that will bring forward significant tourism and leisure development such as a hotel are viewed as key parts of any offer together with an enhanced sporting and swim offer within the site. Proposals will need to clearly identify how existing uses of the site can be accommodated within the re development, including the costs of any rebuild or re-locations. The scheme may include provision for an anchor hotel with a complementary, residential/retail offer to enhance the attraction of Torbay. These are desirable elements but alternative proposals will be considered.

Car Parking: Car parking should be appropriate for the uses proposed and a parking strategy will need to be incorporated within the overall design proposal.

Public Realm: It would be beneficial if any scheme incorporated appropriate improvements to the public realm as part of the development and be creative in the use of space through the site.

Heritage Assets: Torre Abbey has been classified as an Ancient Scheduled Monument and as a heritage asset with archaeological interest. The Council's spatial planning department has advised that any development plans will require a sympathetic approach to Torre Abbey. Developers should look for opportunities to enhance or better reveal the significance of the Abbey. Proposals that preserve those elements of the setting that make a positive contribution to the asset (or which better reveal its significance) shall be treated favourably. It is envisaged that there are opportunities, through sensitive and considered design, to better facilitate positive connections with Torre Abbey in urban design terms and also including pedestrian permeability, etc.

The Council will consider the use of its statutory powers to facilitate any additional land required to deliver regeneration of the site subject to appropriate indemnity agreements and any scheme being policy compliant. However, schemes that solely rely on the use of such powers may not be considered acceptable to be taken forward in this process.

Developers are minded to note the following overarching principles for design:

(More detailed information will be provided in support of the following design principles.)

Transportation Issues

Torbay Road is the main distributor route serving Torbay, the eastern settlements around the town and connecting Hollicombe, Paignton and Brixham via the A3022 to the west. It is dual carriageway and the primary vehicular access to the site is achieved through arterial routes north, east and west of the site.

A Transport Assessment will need to be submitted with any future planning application, to demonstrate the impact of any changes to the highway network.

Pedestrian and cycle accesses (facilitating active travel) will be required throughout the site. A travel plan for the development should indicate how sustainable modes of travel will be actively encouraged through the design and operation of the development. All routes should be convenient, fit for purpose, attractive, safe and comfortable in their quality and width. The site offers an opportunity to maximize pedestrian access onto an existing footpath network.

Flooding and Drainage

The Environment Agency have designated Torbay as a critical drainage area and as such have provided guidance on the requirements for design. These will be enforced by the LLFA.

This site is located within Flood Zone 1 and there are no known culverts or underwater rivers located within the site with the primary flood risk being encroachment of the sea and rises in the water table. As a critical drainage area, the only restrictions for development would be how surface water run-off would be dealt with. Any surface water run-off from any development (new or brownfield sites) must comply with the requirements of the critical drainage area and the Council's SuDS guide.

Design, Materials and External Appearance

Detailed design is where the identity and quality of a place is defined. This site provides the perfect opportunity for good design in terms of building function, layout and impact on public realm. The environmental requirements should be reflected in the form, scale and elevations to provide high quality, innovative and unambiguously 21st century solutions. In terms of height the existing RICC facility is a relatively tall building and therefore there is the potential for proposals with some significant height however a considerably higher structure would be unlikely to be welcomed.

Components of the street scene including signage, lighting, walls and railings and seating shall be considered with the overall design and layout of the development. Litter and dog bins shall be designed as part of the whole scheme and shall contribute towards the layout and design of the street furniture. Lighting will be a key element that will ultimately contribute towards the creation of a quality development with security as an integral part. The emphasis should be on good detail, thoughtful design and high quality that add to the overall quality of the public realm. It should create distinctiveness and stimulate a commitment from all to the future maintenance of the site to high standards.

The development should safeguard the living conditions of the neighbouring communities and play a key role to creating and sustaining the conditions which provide for healthy communities. Attention is drawn to the Council's Local Plan Policy SS12 and to the Council's Healthy Torbay SPD.

The development should seek to include focal points. Elsewhere throughout the developable area opportunities to green the urban environment, primarily within the curtilage should be seized.

Building Density

The overall density of the development will be determined by the need for retention of distinctive landscape features such as Torre Abbey and constraints imposed through levels and the presence of neighbouring development. This will require innovative design and a layout that takes account of the site's constraints whilst acknowledging the need to satisfy the Council's guidance relating to Conservation and the historic environment (SS10).

This is of particular importance in terms of the relationship between existing historic site of Torre Abbey and any proposed new dwellings, as detailed in the adopted Supplementary Planning Document, 'C5 'Urban Landscape Protection Areas' and ULP No.29 Torre Abbey Meadow and Sports Ground. The Council may relax standards to some degree within the scheme to promote innovative design but protecting and enhancing the appeal of the existing amenities will be paramount.

Housing

The Council consider that there is potential to introduce penthouse flats or an element of housing if it is considered to be enabling development as part of the wider scheme. Developers considering this aspect in their design should refer to Adopted policy SS12 and SPD H1 as well as through observation of the guidance contained within SPD DE2 Building for Life.

Green Infrastructure

The site enjoys a privileged location. An element of onsite public open space should be maintained in accordance with Adopted Policy SS9 Green Infrastructure. In considering major planning applications, the Council will seek long term land management practices to retain or restore landscapes, greenspaces, dark corridors and amenity open spaces, integrating biodiversity and green infrastructure objectives including improved public access.

If development impacts adversely on diversity, geodiversity or countryside management, developer contributions and mitigation measures will be required to improve management or enhancement of the natural environment with the goal of achieving a net gain in biodiversity.

The protection of existing landscape, wildlife and ecological features are fundamental to the success of this development. The site contains a number of mature trees and other landscape features and landscaping proposals should be designed to enhance the potential for nature conservation and habitat development.

Noise

The site lies adjacent to a number of existing hotels and residential properties. In particular TLH, Marquis and John Burton Race Hotel and Restaurant properties are in close proximity. The main entrance to the conference centre and the car park area would all be adjacent to the boundary and it will be important to carefully consider the potential impact of noise emissions in this area. This could involve a formal assessment of noise emissions by a reputable acoustic consultant and/or careful consideration of the site layout to provide an adequate separation distance.

Demolition/Construction Activities

On such a potentially large development, it will be necessary to attach conditions relating to the minimisation of noise and dust, working hours, waste disposal, control of bonfires etc. Careful consideration should also be given to the removal and disposal of any asbestos within existing buildings.

In addition, measures will also need to be taken to avoid surface water run off onto neighbouring land and property.

Contamination

The Council are unaware of any known contaminated land issues within the RICC site.

Sustainable Development

As both site owner and Local Planning Authority, the Council intends to promote sustainable development and would encourage consideration of an exemplar development for others to follow. Assistance will be given to help with the identification and application of potential grant funding.

Building Control

The Council's Building Control service has detailed knowledge of managing and supervising developments within Torbay. Early contact is suggested.

National and Local Planning Permission Requirements

The Council wish to see high quality development that clearly benefits the Bay, to be built as soon after planning permission as possible. Details of the national and local information needed to support developments within Torbay can be found here:

<http://www.torbay.gov.uk/media/3056/planning-list.pdf>

Development Constraints

The Council is aware of existing Covenants over the land and further engagement will be required with those covenant holders to ensure there is minimal disruption to any development project. It would be the Council's intention to facilitate this further engagement.

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The Selection Process



At this selection stage, we are seeking a better understanding of the potential appeal of the site and undertaking discussions with short listed developers at the Invitation to Tender (ITT) stage of the process. This will enable early consideration of all the fundamental issues relating to whether a particular development will be acceptable in principle, even where other consents relating to how a development is built or operated are needed at a later stage.

The Council is seeking to identify a strategic development partner to bring forward new development on the Council's land, the selection of which will begin with interested parties completing a selection questionnaire (further details are available within the Procurement guidance). The Council is not seeking detailed designs or financial proposals at this stage.

The Council will use the SQ process to shortlist the parties to go forward to the ITT stage, which will be run using a negotiated procedure to develop options to meet the Council's requirements. The key stages and indicative timetable are set out below. Following the selection of the preferred developer the Council intend to move forward with the successful party and negotiate a development agreement for the disposal of a head lease on the site, the period for which will be subject to further negotiations on the terms of the financial proposal and management arrangements for the site to deliver an acceptable scheme that meets the Council's requirements.

The Council are not currently considering financially underwriting the developers' risk or adopting any development risk beyond the ground rent provisions. This position could change depending on the offer proposed.

The development agreement would normally make provision for the payment of the Council's professional and legal fees.

Procurement Timelines

The timetable for the process shown below is indicative and may be subject to change at the Council's discretion, dependent on the solutions proposed:

Indicative Timetable

Procurement Stage	Dates
Prepare Draft Market Brief	July 2018
Draft Market Brief to Review – MEG, O&S Council	August – September 2018
Council Decision	September 2018
Award Consultant to support Developer Procurement Exercise	September 2018
Sent Call for Competition	October 2018
Market Brief and Stage One Tender Documents Published	October 2018
Stage One Tender Submission	November 2018
Stage One Evaluation Period	November 2018
Stage One Outcome Notification	November 2018
Stage Two Tender Documents Published	November 2018
Site Visits	November/December 2018
Stage Two Initial Tender Submission	December 2018/January 2019
Stage Two Evaluation of Initial Submissions	January 2019
Stage Three Feedback and Negotiation Meetings	January 2019
Stage Four Final Tender Documents Published	February 2019
Stage Four Final Submission	February 2019
Stage Four Evaluation of Final Tender Submissions and Committee	March 2019
Council Approval of Preferred Developer Status	April 2019
Award of Preferred Developer Status	April 2019
Masterplan Development	April 2019 onwards

Draft Heads of Terms (subject to contract)

The site is offered on the following basis, subject to Council approval:

- Transfer of title on the basis of a negotiable term of the lease from 25 years up to a maximum period of 125 years and;
- A reviewable ground rent (reviewable every five years) or alternatively by way of a premium at Lease commencement upon satisfactory completion of the development. Such premium to be measured as a statutory requirement as the Council has to achieve best value in any disposal;
- Subject to an Agreement for Development and Lease entered into by the successful developer which will detail the contractual agreement with the Council until completion of the development;
- The developer obtaining full planning permission including any other statutory approvals to permit the proposed development;
- The developer to meet a timeframe for planning and build completion with Title to be transferred on completion;
- A deposit of £10,000 refundable only in the event of refusal of planning permission

This Market Brief is intended to provide information on the nature of the site. Anything contained herein is to be treated accordingly and is not construed a representation on the part of Torbay Council or its agents. All matters contained in this Market Brief are Subject to Contract.

The Council or its advisors will not be liable for any costs incurred by third parties resulting from the preparation of the expression of interest, attendance at any selection panel or meetings with the Council and its officers. The preparation and submission of an expression of interest and subsequent costs associated with the delivery of any scheme are all based on an individuals' at-risk basis and should be considered within the overall costs to be borne by the development. The Council reserves the right to stop the process at its absolute discretion at any point.

Viewing of this exciting opportunity is recommended and the site is publicly and readily accessible.

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Meeting: Council

Date: 20 September 2018

Wards Affected: all wards

Report Title: Elected Mayor's Response to Objection to Investment and Regeneration Fund Strategy

Is the decision a key decision? No

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

Executive Lead Contact Details: Elected Mayor Gordon Oliver, Elected Mayor and Executive Lead for Assets, Finance, Governance and Corporate Services, Economic Regeneration and Transformation, mayor@torbay.gov.uk

Supporting Officer Contact Details: Kevin Mowat, Executive Head for Assets and Business Services, (01803) 208435, kevin.mowat@torbay.gov.uk/Ane-Marie Bond, Director of Corporate Services and Operations, ane-marie.bond@torbay.gov.uk, (01803) 207015

1. Proposal and Introduction

- 1.1 On 19 July 2018 Council approved a motion objecting to the current Investment and Regeneration Fund Strategy on the basis that it does not reflect the Council's objectives, does not clearly state how regeneration projects will be brought forward and how it meets the need to generate additional income whilst supporting economic growth (Minute 59/7/18 refers). This was in the context of the Council's previous decisions in respect of town centre regeneration.
- 1.2 Members will recall that they approved a Transformation Strategy for Torbay's Town Centres and established a Town Centres Regeneration Programme Board on 6 April 2017, Minute 180/4/17 refers. The Council subsequently approved prudential borrowing of £25 million to create a Town Centres Regeneration Programme Fund that would support the delivery of the projects identified in Phase 1 of the Town Centre Regeneration Programme (TCR) on 19 October 2017 (Minute 119/10/17 refers).
- 1.3 A Notice of Motion – Transformation Project – Town Centre Regeneration was considered and approved by the Council on 21 June 2018 to transfer all responsibility for progressing and overseeing the Town Centre Programme to the Investment and Regeneration Committee and disbanding the Town Centre Regeneration Programme Board (Minute 40/6/18 refers). The Committee was also given authority to commit any element of the £25 million previously agreed within

their Policy Framework (namely the Investment and Regeneration Fund Strategy) with this amount being ring fenced for town centre regeneration.

- 1.4 The Elected Mayor responded to the objection as set out in paragraph 1.1 and his decision is set out at Appendix 1 to this report. The revised strategy has been reviewed by the Investment Committee on 4 September 2018 and they supported the revised strategy as set out at Appendix 2 to this report.

2. Reason for Proposal and associated financial commitments

- 2.1 To consider the Elected Mayor's response and the Investment and Regeneration Committee's proposed revised Investment and Regeneration Fund Strategy (Appendix 2).
 - 2.2 In the event that Council approve the Strategy as recommended by the Investment and Regeneration Committee it is recommended by Officers that Council rescind a number of previous decisions as set out in paragraph 3.3 to enable the Investment and Regeneration Committee to move forward the Town Centre Regeneration Programme.
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3. Recommendation(s) / Proposed Decision

Elected Mayor's Recommendation:

- 3.1 That the Council notes the Elected Mayor's response to the objection to the current Investment and Regeneration Fund Strategy as set out in Appendix 1 to the submitted report and that no further action be taken at this time.

Investment and Regeneration Committee Recommendation:

- 3.2 That the revised Investment and Regeneration Fund Strategy set out at Appendix 2 to the submitted report be approved.
- 3.3 That the following decisions be rescinded:

Minute 180/4/17 (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;

Minute 119/10/17 (ii) - that any income (revenue or capital) from the projects within Phase 1 of the TCR Programme, in excess of the amount required to cover the prudential borrowing costs for the £25 million and sustain service delivery (including any increased service costs/forecast income), be re-invested into the delivery of the Town Centre Regeneration Programme;

Minute 119/10/17 (iii) - that the Town Centres Regeneration Programme Board must submit for approval by the Chief Executive, in consultation with the Elected

Mayor and Group Leaders, an initial 5 year Town Centres Regeneration Business Plan, including delivery timescales and interdependencies between the projects demonstrating how the prudential borrowing will be used. The Business Plan needs to be regularly reviewed, with the Board submitting amendments for approval. The Overview and Scrutiny Board will periodically review progress against the business plan;

Minute 40/6/18 (ii) - that any income (revenue or capital) from the projects within Phase 1 of the TCR Programme, in excess of the amount required to cover the prudential borrowing costs for the £25 million and sustain service delivery (including any increased service costs/forecast income), be re-invested into the delivery of the Town Centre Regeneration Programme;

Minute 40/6/18 (iii) - that the Town Centres Regeneration Programme Board must submit for approval by the Chief Executive, in consultation with the Elected Mayor and Group Leaders, an initial 5 year Town Centres Regeneration Business Plan, including delivery timescales and interdependencies between the projects demonstrating how the prudential borrowing will be used. The Business Plan needs to be regularly reviewed, with the Board submitting amendments for approval. The Overview and Scrutiny Board will periodically review progress against the business plan; and

Minute 40/6/18 (v) that, if necessary, the £25 million Town Centre Regeneration Programme Fund can be used to make strategic acquisitions of property, with the revenue and/or capital income from such purchases being reinvested into the delivery of the TCR Programme. The authority to make such acquisitions is delegated to the Executive Head of Business Services, in consultation with the Chief Finance Officer and the Town Centres Regeneration Programme Board, following assessment of a clear business case. The drawdown of the Prudential Borrowing to be approved in accordance with (i) above. Any purchase of property in excess of £5 million will need full Council approval.

Appendices

Appendix 1 Record of Decision – Elected Mayor’s Response to Objection to the Current Investment and Regeneration Fund Strategy

Appendix 2 Revised Investment and Regeneration Fund Strategy

Background Documents

Transformation project – Town Centre Regeneration report and decision 4 April 2017 - <http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=6872&Ver=4>

Town Centres Regeneration Programme Fund 17 October 2017 – <http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=7451&Ver=4>

Notice of Motion – Transformation Project – Town Centre Regeneration 21 June 2018 –
[http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=8380
&Ver=4](http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=8380&Ver=4)

Notice of Motion – Policy Framework Objection to the Current Investment and
Regeneration Strategy 19 July 2018 –
[http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=8381
&Ver=4](http://www.torbay.gov.uk/DemocraticServices/ieListDocuments.aspx?CId=163&MId=8381&Ver=4)

Section 1: Background Information

1. What is the proposal / issue?

The Council needs to review its Investment and Regeneration Fund Strategy following an objection by the Council that to ensure it reflects the Councils objectives, clearly states how regeneration projects will be brought forward and demonstrates how it meets the need to generate additional income whilst supporting economic growth (Minute 59/7/18 refers). This follows the decision of the Council to transfer responsibility for town centre regeneration to the Investment and Regeneration Committee.

There is also a need to review some previous decisions regarding operational requirements in respect of town centre regeneration.

2. What is the current situation?

The Council considered the Transformation Strategy for Torbay's Town Centres (as set out in the submitted report on 4 April 2017) 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.

Members agreed:

- (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:

	<ul style="list-style-type: none"> (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; <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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:</p> <ul style="list-style-type: none"> (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; <p>(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</p>
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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.”

The Council subsequently approved prudential borrowing of £25 million to create a Town Centres Regeneration Programme Fund that would support the delivery of the projects identified in Phase 1 of the Town Centre Regeneration Programme (TCR) on 19 October 2017. Decision set out below:

- (i) that prudential borrowing of £25 million is approved to create a Town Centre Regeneration Programme Fund that will support delivery of the projects identified within Phase 1 of the Town Centre Regeneration (TCR) Programme, as set out in the Council's Transformation Strategy for Town Centres, with any draw down against this sum being delegated to the Chief Executive in consultation with the Elected Mayor, Group Leaders and Chief Finance Officer, in accordance with the approved Business Case at (iii) below;
- (ii) that any income (revenue or capital) from the projects within Phase 1 of the TCR Programme, in excess of the amount required to cover the prudential borrowing costs for the £25 million and sustain service delivery (including any increased service costs/forecast income), be re-invested into the delivery of the Town Centre Regeneration Programme;
- (iii) that the Town Centres Regeneration Programme Board must submit for approval by the Chief Executive, in consultation with the Elected Mayor and Group Leaders, an initial 5 year Town Centres Regeneration Business Plan, including delivery timescales and interdependencies between the projects demonstrating how the prudential borrowing will be used. The Business Plan needs to be regularly reviewed, with the Board

submitting amendments for approval. The Overview and Scrutiny Board will periodically review progress against the business plan;

- (iv) that the Town Centres Regeneration Business Plan will include the delivery of at least two public realm projects, one for Paignton and one for Torquay, at a combined cost of approximately £3 million, and the delivery of a refurbished Lower Union Lane Multi Storey Car Park at a cost of approximately £3.5 million, subject to the completion of Heads of Terms and a signed Agreement to Lease for the development of student accommodation at Upton Place (or another project that can cover the prudential borrowing costs of the car park refurbishment and public realm projects), with detailed proposals to be included in the Business Plan as per (iii) above. Final approval of public realm schemes and car park refurbishment to be delegated to the Executive Head of Business Services in consultation with the Chief Finance Officer and the Chairman of the Town Centres Regeneration Board, with the drawdown of the Prudential Borrowing to be approved in accordance with (i) above;
- (v) that, if necessary, the £25 million Town Centre Regeneration Programme Fund can be used to make strategic acquisitions of property, with the revenue and/or capital income from such purchases being reinvested into the delivery of the TCR Programme. The authority to make such acquisitions is delegated to the Executive Head of Business Services, in consultation with the Chief Finance Officer and the Town Centres Regeneration Programme Board, following assessment of a clear business case. The drawdown of the Prudential Borrowing to be approved in accordance with (i) above. Any purchase of property in excess of £5 million will need full Council approval; and
- (vi) that the outline business cases included as part of the submitted report (Appendices 1 to 4) are approved in principle and that authority to proceed with each project is delegated to the Executive Head of Business Services, in consultation with the Chief Finance Officer and the Town Centres Regeneration Programme Board, following an assessment of more detailed and complete business cases.

A Notice of Motion – Transformation Project – Town Centre Regeneration was considered and approved by the Council on 21 June 2018 and noted and agreed the following:

- “1. a viable business plan, in line with the original objectives of the Town Centre Regeneration Programme, has not received the approval from the Chief Executive, as

required in the decision taken by the Council in April 2017; and

2. the decision taken by the Elected Mayor to withdraw Councillor Haddock as his representative on the Town Centres Regeneration Programme Board, despite Councillor Haddock as Chairman of the Board, has been instrumental in promoting the schemes by the Board.
- (i) that all responsibility for progressing and overseeing the Town Centre Regeneration Programme be transferred to the Investment and Regeneration Committee, with the Committee's terms of reference to be amended accordingly by the Monitoring Officer. Accordingly the Town Centre Regeneration Programme Board be discontinued;

In view of the above, the Council therefore resolves:

- (ii) decision making responsibility for committing any element of the £25 million previously approved by Council, be placed with the Investment and Regeneration Committee and operated within the existing criteria contained within their Policy Framework, with detailed business cases being presented for approval by the Investment and Regeneration Committee;
- (iii) the £25 million of prudential borrowing for Town Centre Regeneration be in addition to such other sum agreed from time to time by Council for funding schemes and purchases within the Investment and Regeneration Fund Strategy, but the £25 million shall be specifically ring fenced for town centre regeneration;
- (iv) the principle of permitting public realm projects and car park refurbishment, as specified in section (iv) of the Council decision taken on 19 October 2017, to be funded from surpluses generated by other projects, be retained within the Town Centre Regeneration Programme when transferred to the Investment and Regeneration Committee;
- (v) the Investment and Regeneration Committee may resolve from time to time to appoint working parties from amongst its members or any other member of Council to investigate individual projects and to monitor their progress; and

	<p>(vi) that the Overview and Scrutiny Board be requested to regularly review progress of the Investment and Regeneration Committee in regard to its work in progressing Town Centre and other regeneration projects.”</p> <p>On 19 July 2018 Council approved a motion objecting to the current Investment and Regeneration Fund Strategy on the basis that:</p> <p>“a) it does not adequately or appropriately reflect the Council’s objectives;</p> <p>b) it does not specify the means for bringing forward regeneration projects (including those which were contained within the Town Centre Regeneration programme) nor does it set out the requirements for delivery of the same; and</p> <p>c) Council believes that it needs to amended to better reflect the objectives and operation of the fund in contributing to meeting the Council’s need for raising income, for supporting economic growth in Torbay and achieving the outcomes of the Corporate Plan.”</p> <p>The Elected Mayor responded to the objection as follows:</p> <p>“That the Elected Mayor disagrees with the objections to the current Investment and Regeneration Fund Strategy as it is not clear what is intended to be reviewed in terms of the financial implications of the issues raised in the objections.”</p> <p>The revised strategy has been reviewed by the Investment and Regeneration Committee on 4 September 2018 and they supported the revised strategy as set out at Appendix 2 to this report.</p>
<p>3.</p>	<p>What options have been considered?</p> <p>None</p>
<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan?</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

5.	<p>How does this proposal contribute towards the Council's responsibilities as corporate parents?</p> <p>Not applicable.</p>
6.	<p>How does this proposal tackle deprivation?</p> <p>Not applicable.</p>
7.	<p>How does this proposal tackle inequalities?</p> <p>Not applicable.</p>
8.	<p>How does the proposal impact on people with learning disabilities?</p> <p>Not applicable.</p>
9.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Not applicable.</p>
10.	<p>How will you propose to consult?</p> <p>Not applicable.</p>

Section 2: Implications and Impact Assessment

11.	<p>What are the financial and legal implications?</p> <p>The Council has previously approved £200 million of borrowing from the PWLB for the Investment and Regeneration Fund and £25 million of prudential borrowing for town centre regeneration.</p>
12.	<p>What are the risks?</p> <p>There is a risk that the Council will not be able make sufficient additional investments to generate the projected income through the Investment and Regeneration Fund.</p> <p>Each investment has its own financial risk but this is mitigated through delivery against the Investment and Regeneration Fund Strategy which has protections in place and contingencies built in to cover any rent free periods</p>

	or unforeseen costs. Also due diligence carried out on each investment gives the Council the opportunity to stop a purchase where it is deemed too risky or if it is not in the best interests of the Council.
13.	Public Services Value (Social Value) Act 2012 Not applicable.
14.	What evidence / data / research have you gathered in relation to this proposal? Not applicable.
15.	What are key findings from the consultation you have carried out? Not applicable.
16.	Amendments to Proposal / Mitigating Actions Not applicable.

Equality Impacts

17.	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.
16	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	None		
17	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	None		

Record of Decision

Elected Mayor's Response to Objection to the current Investment and Regeneration Fund Strategy

Decision Taker

Elected Mayor on 30 July 2018

Decision

That the Elected Mayor disagrees with the objections to the current Investment and Regeneration Fund Strategy as it is not clear what is intended to be reviewed in terms of the financial implications of the issues raised in the objections.

Reason for the Decision

To respond to the objection to the current Investment and Regeneration Fund Strategy and ensure that any proposed changes are clearly communicated to the Elected Mayor to enable him to fully understand any financial implications of any changes.

Implementation

The recommendations of the Mayor will be considered at the Council meeting in September 2018.

Information

At the Council meeting held on 19 July 2018 members approved the following objection which was referred to the Elected Mayor to consider by 30 July 2018:

That the Council formally objects to the current Investment and Regeneration Strategy on the basis that:

- a) it does not adequately or appropriately reflect the Council's objectives;
- b) it does not specify the means for bringing forward regeneration projects (including those which were contained within the Town Centre Regeneration programme) nor does it set out the requirements for delivery of the same; and
- c) Council believes that it needs to be amended to better reflect the objectives and operation of the fund in contributing to meeting the Council's need for raising income, for supporting economic growth in Torbay and achieving the outcomes of the Corporate Plan.

In accordance with the Constitution at F4.9, the Council therefore requires the Elected Mayor to consider this objection by 30 July 2018 either:

- a) submit a revision of the Investment and Regeneration Strategy with the reasons for any amendments to the Council for its consideration; or
- b) inform the Council of any disagreement that the Executive has with any of the Council's objections and the Executive's reasons for any such disagreement.

The Elected Mayor requested the views of the Investment and Regeneration Committee on this objection before he considered the objection. The Committee considered the objection at its meeting held on 24 July 2018 and resolved:

- (i) that the Elected Mayor be recommended to accept the objection to the current Investment and Regeneration Fund Strategy; and
- (ii) that the Investment and Regeneration Committee assist the Elected Mayor and officers to draft a revised Strategy to reflect the changes identified in (i) above to be presented to Council in September.

The Elected Mayor has considered the objection and recommendations of the Investment and Regeneration Committee and his decision is set out above.

Alternative Options considered and rejected at the time of the decision

None

Is this a Key Decision?

Yes – Reference Number: I040584

Does the call-in procedure apply?

No

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

None

Published

30 July 2018

Signed: _____
The Elected Mayor of Torbay

Date: 30 July 2018



Fit
for
the
future

creating a prosperous and healthy Torba

September 2018

Investment and Regeneration Fund Strategy

September 2018

Investment and Regeneration Fund Strategy

1. Introduction

The Council's efficiency plan and transformation programme is supporting the development of new ideas and approaches to enhance the financial resilience of the Council and reducing demand for Council services.

The Council needs to commit resources within Torbay and within the wider functional economic area, so as to generate income, stimulate growth and support the local economy, with all of the associated positive impacts for our communities.

The Council is committed to promoting development and investment in Torbay, particularly within our Town Centres in order to deliver the step-change needed to make Torbay an attractive, safe and successful place. The required step-change in our Town Centres can be achieved if the Council, local community and future investors work together, with the aim of providing quality, mixed-use offers capable of drawing the local population in and creating vibrant, viable and sustainable places, which deliver job creation throughout Torbay. This Policy Framework document sets out the strategy for the management of the Investment and Regeneration Fund. The strategy reflects a suitable balance between the risks inherent in the types of investments to be made and the financial rewards or wider regeneration outcomes obtainable whilst limiting risks appropriately. It has regard to the Statutory Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG).

2. Objective and Scope

The overall objective of the strategy is to improve the financial resilience of the Council and reduce demand for Council services for the benefit, improvement or development of the area through the acquisition, retention and management of good quality investments and the granting of loans. The Council will determine from time to time the overall amount of the Investment and Regeneration Fund, including any sub-division of the fund.

The Investment and Regeneration Fund Strategy supports the Council's Economic Strategy by delivering economic growth, tackling inequality and creating change in the area that benefits everyone. By creating such positive change, this will in turn reduce demand for Council services.

It is important that the Council has a balanced portfolio of investments in order to appropriately spread risk. The strategy envisages diversification across the geographical location, it recognises that Torbay has a small geographical location and investment of its fund solely in Torbay would not provide sufficient diversification in order to spread risk. It also recognises that diversification can be achieved through different use types of investments held, investing in existing assets as well as new assets.

3. Governance

This Policy Framework sets out that decisions to allocate monies in accordance with this policy are not Executive decisions, and the Council has previously delegated this to the Investment and Regeneration Committee who shall make all decisions up to £25m in respect of all proposals. The maximum individual investment to be approved by Investment and Regeneration Committee shall be £25m including any estimated purchasing costs, however Council approval is not restricted in terms of value.

The Strategy envisages proposals in two categories:

1. investment opportunities that meet the criteria set out in section 4 and deliver both a financial return to the Council and a benefit, improvement or development of the area, which includes loans – ‘Investment Opportunities,’
2. regeneration investment opportunities that meet the criteria set out in section 5 and deliver significant regeneration benefits to the area, including Town Centre proposals – ‘Regeneration Investment Opportunities.’

The Committee will consider investments in two distinct parts, dealing with Investment and Regeneration opportunities separately and where investments meet the criteria for both Investment and Regeneration will determine which category the investment falls into.

For Regeneration Investment Opportunities, these will always be within the boundaries of Torbay. For such opportunities it is anticipated that there will be two stages of consideration;

Stage 1 : Approval of the concept; and

Stage 2 : Agreement to proceed based upon a detailed business plan.

For Investment Opportunities, the improvement or development of the area will not be constrained by the boundaries of Torbay as there is an evidence base that demonstrates that wider investment has a positive impact on Torbay's economy. Specifically there is evidence that demonstrates that the South West Local Enterprise Partnership (LEP) Zone area has a positive impact on Torbay's economy. LEPs were established around functional economic boundaries which reflects both labour market and wider economic interdependence. This can be evidenced through the Heart of the South West Strategic Economic Plan (see <http://heartofswlep.co.uk/wp-content/uploads/2016/09/SEP-Final-draft-31-03-14-website-1.pdf>) and the Torbay Economic Strategy <http://www.torbay.gov.uk/DemocraticServices/documents/s35783/Torbay%20Economic%20Strategy.pdf>.

However opportunities in any geographic location will be considered where it can be objectively demonstrated that there are multiple benefits, including the improvement or development of Torbay, if supported by the Monitoring Officer and the Head of Finance.

4. Investment Opportunities - focus

To make investments for the benefit, improvement or development of the area, through a balanced investment of acquisition, retention and management of good quality investments, (including loans) whilst also delivering an income return to the Council.

Achieving a spread of risk across a greater number of property investments and by acquiring them across the range of different property asset classes, namely retail, leisure, office and industrial, is to be desired, however it has to be recognised that opportunities to do this may not arise, and ultimately if individual business cases are robust, groupings in any individual property class should not pose any increased risk to the Council.

The principle of being relatively risk-averse whilst maximising the return to the Council will be taken in respect of investment opportunities.

The investment portfolio will be kept under review on a regular basis by the Head of Finance and Executive Head of Assets and Business Services. All decisions to hold or dispose of properties will result from ongoing monitoring of the market opportunities for rental, capital growth or sale. Any proposal to dispose of an asset will be considered by the Investment and Regeneration Committee having regard to the implications on capital receipt, rental income, outstanding debt, capital loss or appreciation as part of a business case at the time of recommendation and in light of the Council's overall financial position, and they will make a recommendation to the appropriate decision maker.

<p>Yield required for investment opportunities</p>	<p>Ordinarily a minimum of 1.25% return over forecast borrowing costs and any other relevant operating costs, taking in account the expected average return over 5 years.</p> <p>Opportunities providing less than 1.25% will only be considered in circumstances where the Committee are satisfied, acting reasonably, where any of the following apply;</p> <ul style="list-style-type: none"> - tenant is of exceptionally good financial standing; - there is a long lease; - there is strong rental growth; and/or - there is a strong strategic reason for owning the site. <p>A referral will be made to Council for any investment opportunities where, over the 5 year period, yields are less than 1% over borrowing costs and any other relevant operating costs.</p>
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Yield required for loan opportunities	A minimum of a 2% return over forecast borrowing costs and any other relevant operating costs with full asset security or satisfactory guarantees. Loans which fail to give full asset security or satisfactory guarantees will need to have a greater return over borrowing costs and any other relevant operating costs commensurate with the risk involved.
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Torbay would be the preferred location for investment opportunities, so that reinvestment is directly retained within the local economy and any additional capital expenditure is made in the local area. However, there is a finite and limited supply of property within the local area, and of that supply only a small proportion may be available for purchase at any time that meet the requirements of the Investment and Regeneration Fund. The South West Local Enterprise Partnership (LEP) zone area will be considered for investment opportunities given the economic interdependence of the areas. However opportunities in any geographic location will be considered where it can be demonstrated that there is a benefit to, or improvement or development of Torbay.

The strategy does permit opportunities for co investment with partner organisations of good financial and reputational standing.

Only opportunities in excess of £500,000 (with the exception of loans, where no minimum level has been set) will be considered for this element of the Investment and Regeneration Fund Strategy, given the need to consider the number of smaller investments held by the Council, in pursuance of this Strategy and the burden of administering each investment before a decision is taken.

An assessment of all risks is required in each case of investment in order firstly to value it and then to check its suitability for inclusion in the portfolio. The risks fall into two categories, firstly economic and property market risks in specific property market sub-sectors and locations and secondly asset-specific risks. These can be measured and an assessment made of the likely future performance of the investment carried out based on, for example, 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.

The Head of Finance reserves the right to refer any proposed investment decision (irrespective of value) to the Council for consideration where he deems this is in the best interest of the Council.

5. Regeneration Investment Opportunities - focus

To make investments for the benefit, improvement or development of the area, through a balanced investment of acquisition, retention and management of good quality investments, whilst delivering regeneration outcomes for Torbay, inter alia through:

- Development in our Town Centres - successful regeneration of Torbay's Town Centres is crucial to improving the overall economic performance of Torbay's economy, and in driving future investment and development in Torbay;

- Job creation - successful creation of new jobs or retention of jobs within Torbay;
- Business rate growth;
- Preventing Local Market failure; and
- Opportunities that have strategic importance within Torbay, such as those that will improve key sectors, key locations or address issues such as deprivation and child poverty.

Ideas for regeneration schemes can be brought forward by the Elected Mayor, Councillors, officers and the wider community.

Yield required for Regeneration Investment opportunities	A 0% minimum return over forecast borrowing costs and any other relevant operating costs (including operational costs through any construction and operational phases), taking into account the expected average return over a 5 year period from the expected date of completion. It is imperative that such opportunities are subjected to a sensitivity analysis.
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In respect of Regeneration Investments, opportunities will be pursued where there is a clear business case demonstrating how it will contribute to the regeneration of Torbay.

Sector spread will not be applicable for Regeneration Investment opportunities, as these will be focused on delivering regeneration within Torbay, which will be site specific so as to drive economic regeneration. Only proposals within Torbay will be considered for Regeneration Investment opportunities.

The strategy for Regeneration Investment opportunities does not exclude residential property, although it does envisage that any residential opportunities are more likely to come forward as part of enabling development or hybrid schemes, for wider regeneration purposes.

The Strategy does permit opportunities for co-investment with partner organisations of good financial and reputational standing.

Opportunities in excess of £50,000 will be considered for Regeneration Investments, although consideration will always need to be given to the number of smaller investments held by the Council, in pursuance of this Strategy and the burden of administering each investment before a decision is taken.

An assessment of all risks is required in each case of fresh investment in order firstly to value it and then to check its suitability for inclusion in the portfolio. Wider risks and benefits need to be considered in respect of opportunities for Regeneration Investment. It is envisaged that an outline appraisal will be prepared for consideration. Following approval of the outline appraisal, a full appraisal will be undertaken before a decision on the opportunity is made. It is however recognised that there may be some situations in which a regeneration opportunity arises at short notice, for example through auction. In these circumstances as full an appraisal as possible will need to be undertaken, and the Committee will have to consider whether it has sufficient information upon which to make a robust decision.

The Head of Finance reserves the right to refer any proposed investment decision (irrespective of value) to the Council for consideration where he deems this is in the best interest of the Council.

6. Oversight

Following a decision to proceed with a proposal, whether an Investment proposal or a Regeneration Investment proposal, the Investment and Regeneration Committee will maintain an oversight of their progress, in the context of:

1. the overall fund;
2. Performance of Investment and Regeneration proposals
3. Individual proposals for the Investment and Regeneration Fund; and
4. Individual proposals for Regeneration Investment opportunities, including monitoring their delivery and regeneration benefits (including existing investments that fall within the broad remit of the Investment Strategy which shall be included in this oversight, as well as other suitable assets held by the Council).

7. Due Diligence

Detailed and thorough due diligence is required to be undertaken in respect of all proposals. Appendix 1 to the strategy sets out a framework for the due diligence that will be undertaken.

Investment and Regeneration Fund

Assessment Criteria

Background

As clarification the following descriptions have been used

- “Investments – Yield”. These are property purchases where the objective is to increase rental income to the Council with an additional “multiple benefit” to the Council
- “Investments – Loans or Co Investment”. These are loans to business for capital expenditure where the objective is to increase rental income and/or interest returns to the Council. Co Investment is where Council with another investor provides finance or jointly purchases, with an additional ‘multiple benefit’ to the Council.
- “Regeneration”. These are property purchases, private sector or Council development projects within Torbay with the aim of increasing regeneration within Torbay.

This appendix sets out an outline for the management of the Investment and Regeneration Fund including purchases/investments and loans. The approach adopted should reflect a suitable balance between the risks inherent in the types of property/investments and loans to be acquired and the financial rewards obtainable whilst limiting risks appropriately. In addition, the portfolio of investments being acquired should be diversified in order to spread risks via a balanced portfolio, such diversification principally being across geographical location and the use type of properties held.

The risks of investing in property may be mitigated through the acquisition of assets with secure, long income streams. This needs to be balanced against the requirement for a given level of income yield on capital invested in a careful and controlled manner, with specific analysis of risk criteria carried out in the ‘due diligence’ stage prior to the completion of each purchase.

Achieving a spread of risk across a greater number of assets and by acquiring properties across the range of different property asset classes, namely retail, leisure, office and industrial, is to be desired, however it has to be recognised that opportunities to do this may not arise, and ultimately if individual business cases are robust groupings in any individual property class should not pose any increased risk to the Council.

The principle of being relatively risk-averse by limiting fresh investment to properties with good unexpired lease terms, and with tenants of strong financial standing, will be adopted.

All properties will be reviewed by nominated officers on a quarterly basis to review each property for potential disposal or investment depending on both current and future asset values and rental streams. Officers to include Monitoring Officer, Chief Finance Officer and lead Council officer for asset management. These officers to use external support as required.

Minimum and maximum yield

	Investment - Yield	Investment- loans	Regeneration
Yield	Rental	Loan repayments or rental	Rental
Target Yield Required	<p>1.25% above forecast borrowing costs and forecast relevant ongoing costs</p> <p>Yield to be an average of an appropriate initial five year period</p>	<p>If capital loan 2% above forecast borrowing rates and forecast relevant ongoing costs</p> <p>Yield to be an average of an appropriate initial five year period</p>	<p>0% above forecast borrowing costs and forecast relevant ongoing costs</p> <p>Yield to be an average of an appropriate initial five year period</p> <p>Forecast to be subject to sensitivity analysis of estimates to ensure a 0% return can be realistically achieved.</p>

Assets or loans producing initial yields in excess of 10.0% are likely to exhibit high risk characteristics, such as very short unexpired leases, or financially weak or insubstantial tenants, or obsolete buildings and are therefore to be the subject of very careful analysis before a decisions are made.

Assessment of risks

	Investment - Yield	Investment- loans	Regeneration
Independent Valuation of asset	Yes	If applicable	If applicable
Condition Survey	Yes	If applicable	If applicable
Independent Assessment of Asset Life	Yes	If applicable	If applicable
Independent Assessment of Residual value	Yes	If applicable	If applicable
Independent Assessment of legal issues in relation to site	Yes	If applicable	Yes
Independent Assessment of future rental	Yes – future rent reviews and on lease break/expiry	If applicable	Yes – future rent reviews and on lease break/expiry
Security required	-	As appropriate to the identified risk	-
Financial Assessment of tenant or loanee	Yes	Yes	Yes

	Investment - Yield	Investment- loans	Regeneration
Pre commitment required	As appropriate to identified risk	As appropriate to identified risk	As appropriate to identified risk
Risk Appetite	Risk averse	Risk averse	Risk neutral
Consideration of State Aid	-	Yes	Yes
“Green Book” Financial profile over life of asset (IRR)	Yes	Yes	Yes
MRP	Yes – over asset life	No – of loan expected to be repaid – annual assessment required	Yes – over asset life
Assessment of impact on Council of any potentially abortive costs and how funded	Yes	Yes	Yes
Assessment of impact on Council of default or significant loss in value and how funded	Yes	Yes – Impairment (or contingency for) to be assessed on annual basis by CFO	Yes
Allowance for future costs, income shortfall and management of assets	An indicative amount of 0.25% - on total purchase costs per annum – but actual amount to be calculated on the specifics of the proposal.	-	An indicative amount of 0.25% - on total costs per annum – but actual amount to be calculated on the specifics of the proposal.
Lease	Tenants of good financial standing and a good remaining lease term	Loanee of strong financial standing	Tenants of good financial standing and a good remaining lease term
Loan	-	Interest rate to be linked to assessed financial risk Enforceable security required on all loans Interest required on a quarterly basis from start of loan Loan to be on a repayment basis as soon as possible	-
Reputational Issues	No “sin” assets or tenants	No “sin” assets or tenants	No “sin” assets or tenants

A rigorous assessment of all risks is required in each case of fresh investment in order firstly to value each property and then to check its suitability for inclusion in the portfolio. The risks fall into two categories, firstly economic and property market risks in specific property market sub-sectors and locations and secondly asset-specific risks (as set out below). These can 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 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. Financial returns are modelled over a medium-term horizon of five years, based on proposed offer prices, to determine the acceptability of each investment, and can be compared against general market forecasts. Internal Rate of Return (IRR) calculations will be carried out to model the expected cash flows from each investment. The anticipated returns can be modelled on different bases to reflect the range of risks applicable in each case, to ensure that forecast returns properly reflect the measured risks. In this way a Business Case is put together to support each recommended property acquisition.

Allowance for future costs, income shortfall and management of assets

For each purchase or development an allowance is to be made to cover the following issues:

- Future management costs of the asset – both ongoing costs such as liaison with tenants, asset inspections, insurance arrangements, service charge management, lease term enforcement and management of site but also cyclical costs such as rent reviews, marketing of vacant space, investment in assets and potential disposal.
- Future void or rent free periods on asset.
- Future landlord repair and maintenance and investment costs in asset.
- Abortive costs or set up/feasibility costs not chargeable as capital expenditure a purchase associated with the potential purchase or development of assets.

The table above gives an indicative value based on a percentage of total purchase costs to be set aside each year. The Chief Finance Officer will vary this percentage depending on an assessment of future issues and costs relevant to each asset – e.g. the expectation of an extended rent free period.

Asset-specific risks

Income and capital returns for property will depend principally on the following five main characteristics:

- Location of property
- Building specification quality
- Length of lease unexpired
- Financial strength of tenant(s)
- Rental levels payable relative to current open market rental values

Location – this is the single most important factor in considering any property investment. In the retail sector prime or good secondary locations in major regional or sub-regional shopping centres are likely to provide good long-term prospects, or alternatively prime locations in sub-regional or market towns.

Industrial and warehouse property has a wider spectrum of acceptable locations with accessibility on good roads to the trunk road and motorway network being the key aspect.

Experienced knowledge will be required to ensure that good locations are selected where property will hold its value in the long term.

Building specification quality – In office property especially it is important to minimise the risk of obsolescence in building elements, notably mechanical and electrical plant. Modern, recently-built office and industrial property should be acquired to ensure longer-term income-production and awareness of the life-cycle of different building elements and costs of replacement is critical in assessing each property's merits. For town centre retail property trends have been towards larger standard retail units being in strongest demand from retailers.

Length of lease unexpired – At present capital values are highest for long-term leased property and values tend to reduce significantly when unexpired lease terms fall below five years, as owners expect significant capital expenditure to be necessary when leases expire and tenants may not renew leases and continue to occupy. Fresh investments should be made ensuring that diminishing lease terms will not either adversely affect capital value or that significant capital expenditure and voids are experienced.

Financial strength of tenant(s) – assessment will be required of each tenant of potential acquisitions through analysis of their published accounts and management accounts where necessary. Risk of tenant default in rent payment is the main issue but the relative strength of a tenant's financial standing also impacts upon capital value of property which is let to that tenant and careful analysis of financial strength is a key part of due diligence prior to purchase of investments.

Rental levels – care is required in all purchases to assess market rents local to each property to check whether rents payable under leases are above or below current levels, as this will impact on whether growth in rents in the future will be fully reflected in the specific property being analysed.

Environmental and regulatory risks – Risks such as flooding and energy performance are taken into account during the due diligence process on every property purchase.

Reputational risks – An assessment of any reputational risks will be undertaken in respect of all proposals, and this will be a relevant factor in decision making.

September 2018



Meeting: Council

Date: 20 September 2018

Wards Affected: All

Report Title: Delivery and implementation of the Housing Strategy

Is the decision a key decision? No

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

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1. Proposal and Introduction

- 1.1 On 19 July 2018 the Council received a report with an update and indicative timeline on the delivery of affordable homes in Torbay. The report also set out proposals to transfer Council owned land and buildings at St Kilda’s former residential care home, Redwell Lane and Totnes Road to a Council owned subsidiary or wholly owned company at nil value to provide affordable homes and help meet the objectives of the Housing Strategy.
- 1.2 The Chief Executive was instructed to deliver the affordable housing schemes at Redwell Lane, Totnes Road and St Kilda’s as a matter of urgency and in such a manner as will lead to a cost effective and rapid delivery of the schemes. However, as the Chief Executive and other senior officers have a role, either within the TDA or the Council’s Housing Company, the instruction was delegated to the Assistant Director of Business Services, to avoid any conflict of interest or perception of a conflict of interest.
- 1.3 It was also determined by the Council on 19 July 2018 that a review should be undertaken of the delivery and implementation of the Housing Strategy, including the use of the Housing Company as part of that delivery. The outcome of the review to be presented to Council at its meeting on 20 September 2018. This action was also delegated to the Assistant Director of Business Services.
- 1.4 Torbay’s Housing Strategy 2015 ~ 2020 was considered by Council in December 2015 before being finally approved in February 2016. The Housing Strategy

addresses the wide ranging housing responsibilities of the Council including homelessness; housing advice; enforcing housing standards in the private rented sector; meeting the housing needs of people with disabilities or care needs and affordable and market housing delivery through planning policy. The delivery of affordable housing through planning gain (S106) is currently delegated to the TDA. The Housing Strategy therefore straddles a number of departments and the delivery arrangements are fragmented in staffing and organisational terms. The Housing Strategy document provides a focus for cross-departmental collaboration on housing issues with a dedicated 'virtual' strategic housing team meeting regularly as the Housing Delivery Officer Group.

- 1.5 The Council agreed the principle of setting up a new wholly owned housing company in September 2016 with the overarching aim of maximising income back to the Council, as well as supporting the objectives of 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 (DevCo) and (iii) a Housing Rental Company (RentCo).
- 1.6 A new Housing Company Policy Framework document was first considered by Council in June 2017 and a Housing Rental Company Policy Framework document was eventually approved by Council in July 2017. At this time the policy position had changed and rather than having the overarching aim of maximising income back to the Council it was clearly stated in this new Policy Framework document that "***Whilst there is the potential for RentCo to provide revenue income to the Council in the future, this is not the main objective of this policy***". The approved Housing Rental Company Policy Framework states that the principal objective of the RentCo will be to support the objectives of the Council to enable the ambitious and progressive delivery of the Council's housing strategy which may include :-
- Increasing the number of affordable homes delivered;
 - Increasing standards in the private rented sector;
 - Providing greater flexibility when dealing with housing needs for local people;
 - Increasing the level of adapted accommodation to allow more people with care and support needs to live in specialist housing;
 - Unlocking stalled sites in and around the town centre to assist with regeneration and increase footfall in the areas town centres;
 - Assisting with regenerating areas of deprivation; and
 - Provide a private sector leasing option for private landlords.
- 1.7 Following the Council decision in July 2017 a Housing Committee was formed in October 2017 to have strategic oversight of delivery of the Council's Housing Strategy and the associated commissioning document "My home is My Life" delivery plan. Since October 2017 the Housing Committee has been monitoring the performance of the Housing Strategy and tracking the associated Delivery Plan. A number of decisions have also been made in respect of a long lease of residential

units, the acquisition of temporary accommodation for families and the acquisition of temporary accommodation for vulnerable single adults. The introduction of a Housing Committee has provided a greater focus on the Housing Strategy and has consequently provided an improved corporate awareness of the full range of housing related issues in Torbay.

- 1.8 It can be seen by the points raised above that in recent years there have been a number of 'false starts' in respect of key decisions around the Council's Housing Strategy and the means of delivery of new homes and in particular, affordable housing. The failure to reach an immediate consensus on these matters could be seen as a normal part of the democratic process or an underlying lack of clarity. Given the various changes since 2015 it can be seen that the Housing Strategy is no longer able to articulate what the Council is trying to achieve from such a key policy framework document. An opportunity exists to amend, consolidate and refresh the strategy, setting out the Council's clear vision of what is needed in Torbay in terms of new developments, affordable housing, improved standards, etc. It would also need to address how the outcomes can be delivered, either directly or by enabling partners and/or encouraging the private sector to deliver. Furthermore, any revised Housing Strategy would obviously need to make linkages to the rest of the Council's Policy Framework, both in respect of a prosperous Torbay and a healthy Torbay.
- 1.9 The various 'daughter' strategies/documents referenced in the existing Housing Strategy need to be standalone policies and a decision will need to be made as to who the appropriate decision maker is. In any event these documents would not normally form part of the Council's Policy Framework.

2. Reason for Proposal

- 2.1 Since the approval of the Council's existing Housing Strategy in February 2016 there have been a number of events, both internal and external, that would suggest that now is the time to revisit this important strategy and to create a more focused policy framework document. The following list includes some of the issues that will have had an impact on the strategy and/or make the case for change :-
- The decision to form a Housing Company.
 - The decision to form a Housing Committee.
 - The proposed changes to the National Planning Policy Framework (NPPF).
 - Changes to the governance structure for housing in Torbay Council.
 - Changes to the Housing Strategy Delivery Plan.
 - New legislation – the Homelessness Reduction Act 2017.
 - Establishment changes associated with relevant and key senior officers.
 - Approval of a Housing Rental Company Policy Framework document.
 - The imminent need for a Strategic Housing Land Availability Assessment (SHLAA) and a Strategic Housing Market Assessment (SHMA), as part of the evidence base required for the imminent review of Torbay's Local Plan.
- 2.2 There are currently over 1000 households on the housing register who require affordable housing in Torbay. In recent years the Council has been reliant on planning gain for the delivery of affordable housing. This method is completely

reliant on the private sector build rates and the viability of individual sites and very rarely provides the size and type of accommodation for those with specialist requirements. By transferring Council owned sites to a subsidiary or company wholly owned by Torbay Council, such sites can be used to meet those strategic needs that are not met through housing associations and/or the private sector. The issue for consideration is which Council owned company or subsidiary is best placed to deliver these outcomes.

- 2.3 In the TDA the Council have a wholly owned company with most if not all of the technical knowledge and experience to deliver affordable housing that might not otherwise come forward from Registered Providers. The TDA is already commissioned to manage the Council's land and property estate and has recently provided sound advice that has allowed the Council to acquire a new asset backed investment portfolio. Furthermore the TDA has an established company structure with operational staff and an appropriate regime of governance, with local Directors on the Board. Consequently the TDA may be well placed to seek Registered Provider status and Investment Partner status.
- 2.4 It is possible that the Council could commission the TDA, or a subsidiary of the TDA, to deliver the outputs expected of RentCo, that are set out in the Housing Rental Company Policy Framework document and summarised in paragraph 1.6 above. As a reserved matter the Council can decide if it is desirable to consider amalgamating or merging RentCo with any other company or business undertaking.

3. Recommendation(s) / Proposed Decision

- 3.1 That, the Director of Adults and Housing be instructed to amend, consolidate and refresh Torbay Council's existing Housing Strategy and associated documents so that they align with the Council's current approach to policy framework documents, encompass the changes to the National Planning Policy Framework (NPPF), following a period of development and consultation, the revised Housing Strategy for Torbay to be presented to Council for approval as soon as possible after the local elections in May 2019.
- 3,2 That, the Housing Committee be asked to consider the benefits and/or disadvantages of merging the Housing Rental Company (RentCo) into the TDA, or a subsidiary of the TDA to enable relevant schemes to be delivered at pace, and report back to Council with an appropriate recommendation.

Background Documents

Torbay Local Plan 2012 ~ 2030 (approved December 2015)

Torbay's Housing Strategy 2015 ~ 2020 (approved February 2016)

Torbay's Housing Partnership Delivery Plan - My Home is my Life 2015 ~ 2020

Torbay Homelessness Strategy 2015 ~ 2020 (statutory policy)

Torbay Housing and Health Needs Assessment – November 2016 (Evidence base)

Torbay Council – Self Build/Custom Build Affordable Housing Allocation Policy

Section 1: Background Information

1.	<p>What is the proposal / issue?</p> <p>It was determined by the Council on 19th July 2018 that a review should be undertaken of the delivery and implementation of the Housing Strategy, including the use of the Housing Company as part of that delivery. The outcome of the review to be presented to Council at its meeting on 20th September 2018. This action was subsequently delegated to the Assistant Director of Business Services.</p>
2.	<p>What is the current situation?</p> <p>Torbay's Housing Strategy 2015 ~ 2020 was considered by Council in December 2015 before being finally approved in February 2016.</p> <p>The Council agreed the principle of setting up a new wholly owned housing company in September 2016 with the overarching aim of maximising income back to the Council, as well as supporting the objectives of 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 (DevCo) and (iii) a Housing Rental Company (RentCo).</p> <p>A new a Housing Company Policy Framework document was first considered by Council in June 2017 and a Housing Rental Company Policy Framework document was eventually approved by Council in July 2017. At this time the policy position had changed and rather than having the overarching aim of maximising income back to the Council it was clearly stated in this new Policy Framework document that "<i>Whilst there is the potential for RentCo to provide revenue income to the Council in the future, this is not the main objective of this policy</i>". The approved Housing Rental Company Policy Framework states that the principal objective of the RentCo will be to support the objectives of the Council to enable the ambitious and progressive delivery of the Council's housing strategy which may include :-</p> <ul style="list-style-type: none">• Increasing the number of affordable homes delivered;• Increasing standards in the private rented sector;• Providing greater flexibility when dealing with housing needs for local people;• Increasing the level of adapted accommodation to allow more people with care and support needs to live in specialist housing;• Unlocking stalled sites in and around the town centre to assist with regeneration and increase footfall in the areas town centres;

- Assisting with regenerating areas of deprivation; and
- Provide a private sector leasing option for private landlords.

Following the Council decision in July 2017 a Housing Committee was formed in October 2017 to have strategic oversight of delivery of the Council's Housing Strategy and the associated commissioning document "My home is My Life" delivery plan. Since October 2017 the Housing Committee has been monitoring the performance of the Housing Strategy and tracking the associated Delivery Plan. A number of decisions have also been made in respect of a long lease of residential units, the acquisition of temporary accommodation for families and the acquisition of temporary accommodation for vulnerable single adults. The introduction of a Housing Committee has provided a greater focus on the Housing Strategy and has consequently provided an improved corporate awareness of the full range of housing related issues in Torbay.

It can be seen by the points raised above that in recent years there have been a number of 'false starts' in respect of key decisions around the Council's Housing Strategy and the means of delivery of new homes and in particular, affordable housing. The failure to reach an immediate consensus on these matters could be seen as a normal part of the democratic process or an underlying lack of clarity. Given the various changes since 2015 it can be seen that the Housing Strategy is no longer able to clearly articulate what the Council are trying to achieve from such a key policy framework document, notwithstanding that there are aspects of the Housing Strategy that have and are being delivered. An opportunity exists to amend, consolidate and refresh the strategy, setting out the Council's clear vision of what is needed in Torbay in terms of new developments, affordable housing, improved standards, etc. It would also need to address how the outcomes can be delivered, either directly or by enabling partners and/or encouraging the private sector to deliver. Furthermore, any revised Housing Strategy would obviously needs to make linkages to the rest of the Council's Policy Framework, both in respect of a prosperous Torbay and a healthy Torbay.

The various 'daughter' strategies/documents referenced in the existing Housing Strategy need to be standalone policies and a decision will need to be made as to who the appropriate decision maker is. In any event these documents would not normally form part of the Council's Policy Framework.

Application for Investment Partner (IP) status

The Housing Company business plan is predicated on the assumption that the Company will secure a relatively large input of Homes England affordable housing grant. To bid for this grant it will have to apply to become an Investment Partner of Homes England. The application must be done at the same time as bidding for grant through Homes England Investment Management System (IMS). The Housing Company is registered on IMS and poised to make the application and register as an IP, but this requires agreement on the detailed development programme in order to proceed.

Registered Provider status

In order to manage any homes funded through Homes England affordable housing grant the Housing Company, or any other subsidiary of the Council, must become a Registered Provider (RP) of Affordable Housing. This

	<p>requires demonstrating that the Company has the necessary governance arrangements and policies in place to meet the Regulator of Social Housing's regulatory standards. The Housing Company board has been advised that this will require changes to the governance framework, development of policies on risk and financial management and recruitment of additional board members. The registration process has two stages and scrutiny will focus on the relationship between affordable housing functions and any other market-orientated property development/investment operations. This aspect may mean that for TDA to register as an RP it would need to establish a separate corporate affordable housing delivery vehicle.</p> <p><u>The revised National Planning Policy Framework (NPPF)</u> The new NPPF was published on 24 July 2018. It sets out a range of revisions to the NPPF and implements around 85 of the reforms previously announced through the Housing White Paper, the planning for the right homes in the right places consultation and the draft revised National Planning Policy Framework consultation. Alongside the NPPF a new standardised method for calculating housing need has been introduced and a delivery test will be brought in from November 2018. In future SHMA's should provide greater detail on the different types of housing required including that for older people.</p> <p>The definition of Affordable Housing (AH) has also been changed to "housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers);" and includes Starter Homes, Discounted Market Sale units with at least 20% discount that are available at such discount to future eligible households and Rent to Buy products.</p> <p>Updated planning practice guidance on viability seeks to ensure any viability information is transparent and land values reflect policy compliant affordable housing requirements. This is intended to front load viability considerations to the place-making stages of any development. The implications for delivery of the Housing Strategy are that delivery of AH through S106 agreements may be more straightforward as there should be less time taken up debating viability; and a broader range of affordable homes can be delivered. However, it will also provide an opportunity for private developers to promote alternative forms of AH through planning gain to enhance site values and it will be essential that the Local Plan provides robust evidence of housing need and specific tenures of AH required.</p>
<p>3.</p>	<p>What options have been considered?</p> <p>To continue with the Council's existing Housing Strategy without further revision until 2020. This course of action would represent a missed opportunity.</p> <p>There is no statutory requirement for the Council to have a Housing Strategy.</p> <p>To continue with the evolution and development of the Councils Housing Rental Company (RentCo), including the award of Investment Partner and Registered Provider status. This course of action could represent an unnecessary duplication of a pre-existing delivery vehicle i.e. the TDA</p>

4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan?</p> <p>A prosperous and healthy Torbay</p> <p><u>Principles:</u></p> <ul style="list-style-type: none"> • Using reducing resources to best effect • Integrated and joined up approach <p><u>Targeted actions:</u></p> <ul style="list-style-type: none"> • Protecting all children and giving them the best start in life • 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>How does this proposal contribute towards the Council's responsibilities as corporate parents?</p> <p>When considering all matters in relation to affordable housing the Council will take into account how this can assist looked after children to help give them the best start in life.</p>
6.	<p>How does this proposal tackle deprivation?</p> <p>Delivery of the housing strategy will have a positive impact on deprivation through the provision of more affordable housing.</p>
7.	<p>How does this proposal tackle inequalities?</p> <p>Delivery of the housing strategy will have a positive impact on reducing inequalities through provision of affordable housing.</p>
8.	<p>How does the proposal impact on people with learning disabilities?</p> <p>When considering all matters in relation to affordable housing the Council will take into account how this can assist people with learning disabilities.</p>
9.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>Consultation will be necessary if a new Housing Strategy is developed. Key partners, members of the public and councillors will be consulted on any revised Housing Strategy.</p>
10.	<p>How will you propose to consult?</p> <p>Formal consultation will take place via the Council's website and through meetings and circulation of papers.</p>

Section 2: Implications and Impact Assessment

7.	<p>What are the financial and legal implications?</p> <p>Any revised strategy would need to be developed in line with the following:</p> <ul style="list-style-type: none">• Proposed changes to the National Planning Policy Framework (NPPF).• New legislation – the Homelessness Reduction Act 2017.• The use of the Housing Rental Company or any other wholly owned company, or subsidiary, as part of the housing delivery solution.• The Strategic Housing Land Availability Assessment (SHLAA) and a Strategic Housing Market Assessment (SHMA), as part of the evidence base required for the review of the Local Plan. <p>The Council will need to assess any financial and resource implications if it decides to merge the Housing Rental Company (RentCo) into the TDA, or a subsidiary of the TDA. Details of this will be included in a future report to Council when it considers this issue.</p>
8.	<p>What are the risks?</p> <p>There is a risk that a delay in reviewing the Housing Strategy will impact on the Council's ability to deliver good quality affordable housing until after May 2019, however, the existing Strategy already provides a framework for delivery of affordable housing and this is currently being progressed through the three sites previously approved by Council and other initiatives being undertaken by the Council to tackle homelessness and address the growing requirement for specialist housing with care.</p>
9.	<p>Public Services (Social Value) Act 2012</p> <p>Not applicable.</p>
10.	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <ul style="list-style-type: none">• Torbay Local Plan 2012 ~ 2030 (approved December 2015)• Torbay's Housing Strategy 2015 ~ 2020 (approved February 2016)• Torbay's Housing Partnership Delivery Plan - My Home is my Life 2015 ~ 2020• Torbay Homelessness Strategy 2015 ~ 2020 (statutory policy)

	<ul style="list-style-type: none"> • Torbay Housing and Health Needs Assessment – November 2016 (Evidence base) • Torbay Council – Self Build/Custom Build Affordable Housing Allocation Policy
11.	<p>What are key findings from the consultation you have carried out?</p> <p>Not applicable at this stage.</p>
12.	<p>Amendments to Proposal / Mitigating Actions</p> <p>Not applicable at this stage.</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			There is no differential impact

	poverty issues and deprivation)			
	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)	Not applicable		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	Not applicable		



Meeting: Full Council

Date: 20 September 2018

Wards Affected: All

Report Title: Options for Local Government Re-organisation

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

Supporting Officer Contact Details: Steve Parrock, Chief Executive, 01803 201201, steve.parrock@torbay.gov.uk

1. Proposal and Introduction

1.1 At the meeting of Council on 21 June 2018 a resolution was passed instructing the Chief Executive to immediately review all local government re-organisation options, and that in undertaking such review to engage with relevant bodies, including;

- a) MPs
- b) Local Government Association/Local Partnerships
- c) Other Councils.

1.2 This report sets out the review undertaken and recommendations from the Chief Executive as to the way forward.

2. Reason for Proposal

2.1 Torbay Council faces significant challenges over the sustainability and resilience of its future delivery of services. The Medium Term Resource Plan sets out that the Council needs to identify at least £14.7m of additional savings by 2021/22 in order to deliver the range and depth of services currently provided. The increases in demand for children's and adult social care, together with the impact of deprivation across the spectrum of Torbay Council's services, means that the financial future of Torbay Council, along with other local authorities, is far less certain than it has been previously.

2.2 To assist in this respect Council requested the Chief Executive to review all local government re-organisation options.

3. Recommendation(s) / Proposed Decision

3.1 Chief Executive Recommended Decision

3.1.1 That Council instructs the Director of Corporate Services to undertake a Community Governance Review with a view to considering the principle of three Town Councils across the entirety of Torbay.

3.1.2 That the cost of additional resources to undertake the community governance review of £50,000, be funded from the Council's Revenue Contingency Budget.

3.1.3 That a Community Governance Review Working Party be established, with the terms of reference to oversee impartially and objectively the implementation of the Community Governance Review and to report back to Full Council with recommendations based on the responses to the consultation. The Working Party to be created with the following membership: the Elected Mayor, and 7 additional members, to be politically balanced (4 Conservative, 2 Liberal Democrat and 1 Independent).

3.1.4 That Council notes that it needs to continue to deliver and expand its current Transformation programme at pace, recognising that significant savings are required and that future change is inevitable. That Council reflects upon the severe ramifications of not achieving sufficient savings and works together to review options for raising additional income through Council Tax, above that envisaged within the current Medium term Resource Plan, irrespective of whether it decides to carry out a Community Governance Review.

Appendices

Appendix 1: Local Partnerships Report to Council – September 2017

Appendix 2: Local Gov Article – 6 June 2018

Supporting Information and Impact Assessment

Service / Policy:	Options for Local Government Re-organisation
Chief Executive:	Steve Parrock, Chief Executive, 01803 201201, steve.parrock@torbay.gov.uk

Section 1: Background Information

1.

What is the proposal / issue?

At the meeting of Council on 21 June 2018 a resolution was passed instructing the Chief Executive to immediately review all local government re-organisation options, and that in undertaking such review to engage with relevant bodies, including;

- a) MPs
- b) Local Government Association/Local Partnerships
- c) Other Councils

This decision was taken in the context of Torbay Council facing significant challenges over the sustainability and resilience of its future delivery of services. The Medium Term Resource Plan sets out that the Council needs to identify at least £14.7m of savings by 2021/22 in order to deliver the universal range of services currently provided. The increases in demand for children's and adult social care and the impact of deprivation across the spectrum of Torbay Council's services means that the financial future of Torbay Council, along with many other local authorities, is less certain than it has been previously.

2.

What is the current situation?

Torbay Council was a district council up until 1998 when it acquired unitary status, taking on responsibility for tier 1 services that were previously delivered in Torbay by Devon County Council. The tier 1 services included adult and children's social care, education, transport, libraries and waste disposal.

In the light of continued austerity, it is important for all Council's to keep under review their long term strategic direction. This is particularly pertinent given that Torbay's challenges in relation to deprivation and an aging population has provided the council with considerable increases in the cost of delivering social care, whilst continuing to maintain other services that the public and place requires.

Council will recall that in 2017 Local Partnerships were engaged by the Council to review how services were delivered, which included consideration of Local Government re-organisation. By way of a reminder to Council, Local Partnerships are a joint venture between HM Treasury and the LGA who provide support and advice to public bodies looking at new models of operating.

Local Partnerships commenced their work with an options appraisal in May 2017 and in the preparation of this met with senior politicians, senior officers, and potential partner organisations. They reviewed a wide range of key documentation from both Torbay and potential partners such as Devon County Council, Plymouth City Council and South Hams and West Devon District Councils. Initially a long list of options were explored, but with input from Members and Officers a short list was agreed, which were considered in more detail and subjected a high level qualitative and quantitative analysis. Following discussions with potential partners and with Government, local government re-organisation was not considered to be achievable by Local Partnerships and therefore their review focused upon strategic partnering possibilities.

Ultimately the review demonstrated that the level of savings to be realised from a strategic partnering arrangement were incomparable to the budget reductions

faced by the Council. It was recognised that significant officer resources would be required to deliver a strategic partnering arrangement, for which there would be an opportunity cost, plus the actual cost of implementation. Therefore in the report to Council in September 2017 the Chief Executive gave clear and unequivocal advice to Members that the Council could not allow the collective focus and limited capacity to be distracted from delivering savings through the transformation programme and recommended that the Council did not pursue a strategic partnering arrangement with any party at that time but recommended that the Council should immediately undertake a Community Governance Review given the urgency of the financial position of the Council.

Since that time, the Council has worked tirelessly in respect of its Transformation agenda, however despite this the Council continues to face unprecedented financial challenges and an uncertain financial future. The current iteration of the Medium Term Resource Plan sets out that the Council needs to identify at least £14.7m of savings/income generation by 2021/22, however, it is recognised that with increasing demand in children's safeguarding and social care the level of savings required is likely to increase.

As mentioned within the Local Partnership Business Case 2017 the savings associated with developing further shared services is low and albeit the Council is continuing to develop shared services where possible, this will not deliver sufficient savings. It will however assist with maintaining resilience and access to specialist services.

At the meeting of Council on 21 June 2018 a resolution was passed instructing the Chief Executive to immediately review all local government re-organisation options, and that in undertaking such review to engage with relevant bodies, including;

- a) MPs
- b) Local Government Association/Local Partnerships
- c) Other Councils.

3.

What options have been considered?

In respect of options for local government re-organisation the position of Government has been considered. The Rt. Hon. James Brokenshire MP, Secretary of State for Housing, Communities and Local Government, expressed a clear view in this regard in his speech to the Local Government Association on 3 July 2018 in which he said;

“I have no intention of forcing re-organisation on local government where it isn’t wanted.”

He went on to say he will only back council mergers when there is a good deal of local support.

In view of the stance of Government, the position of other authorities within Devon is clearly critical to this issue. The Chief Executive therefore obtained the views of relevant authorities across Devon as to their positions in this respect. What was clear as a result of those discussions is that there is no desire for any form of local government re-organisation across Devon, currently or in the foreseeable future.

The views of Torbay’s MPs was also sought. Whilst supportive of the Government’s position encouraging council mergers where appropriate, they were not in favour of any local government re-organisation in Devon at this time recognising that there was no local support.

As a consequence of the Government’s stated position, and that of relevant authorities, the Chief Executive has to advise Council that any consideration of local government re-organisation is not a realistic prospect.

Given the context in which the instruction to explore local government re-organisation was given to the Chief Executive i.e. Torbay Council facing significant challenges over the sustainability and resilience of its future delivery of services, the Chief Executive returned to a consideration of the business

case undertaken by Local Partnerships in 2017. The Business Case highlighted two options in respect of opportunities to increase the level of income to the Council;

1. Raise Council Tax to levels comparable in the rest of Devon, and/or
2. Create Town Councils across the entirety of Torbay, who have an ability to raise income through the precept mechanism, and devolve certain services to them e.g. public conveniences and public realm maintenance.

It should be noted that the raising of Council Tax to levels comparable to the rest of Devon would require, under current legislation, an unprecedented referendum.

It should also be recognised that the creation of Town Councils, whilst raising income through the precept mechanism, will not avoid the necessity for Torbay Council to make further savings.

Within the report to Council in September 2017, the Chief Executive set out that he recognised that the concept of increasing public taxation either through increased Council Tax or through the creation of Town Councils was unlikely to be immediately popular to many. However he set out that he believed that the creation of Town Councils, in addition to raising much needed revenue, was likely to deliver positive benefits for our communities, with the benefits reaching far and beyond the revenue generated.

Given the Council's financial position the Chief Executive has to recommend to Council that further consideration of these options is now urgently undertaken.

In respect of Council Tax increases to levels comparable in the rest of Devon, this will be for the Elected Mayor to consider in his draft budget proposals that he will consult upon later this year, and for Council to consider at its budget meetings in February 2019. Ultimately this could lead to a Referendum

depending upon Council's decision making and any cap placed upon council tax increases by Government.

In respect of the option of creating Town Councils across the entirety of Torbay, before such a decision can be taken a Community Governance Review must be undertaken. This is a prescribed and lengthy process of approximately 12 months to complete the same. Any decision to actually create a Town Council/s is a separate decision which would take place at the end of the Community Governance Review.

There are increasing examples of Town and Parish Council's taking responsibility for services from higher tier authorities. In an article in Local Gov published earlier this year it was reported that Salisbury Parish Council had increased its precept by 69% to £208 per household, and had taken responsibility for street cleaning, maintenance of parks, playgrounds and open spaces from Wiltshire Council. The article reported that they were also due to take responsibility for the CCTV system and an Environmental Services Manager.

Similarly the article highlights Mountsorrel Council, who were increasing its band D precept from £76 to £199, following the transfer of services from Leicestershire and from Charnwood Borough Council, including community centres and a Library.

Given the Council's financial position, the Chief Executive has to recommend that Council takes the decision to commence a Community Governance Review, to allow full consultation and consideration of Town Councils throughout Torbay, with the ultimate decision to be taken in approximately 12 months' time.

<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>The proposal supports both of the ambitions of the Council's Corporate Plan (A Prosperous and Healthy Torbay) as it seeks to ensure the long-term stability of service delivery to the residents of Torbay.</p>
<p>5.</p>	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>The proposal to carry out a Community Governance Review, in and of itself does not affect the residents of Torbay. Residents will be consulted through the Community Governance Review, so as to inform future decision making.</p>
<p>6.</p>	<p>How will you propose to consult?</p> <p>If a decision is taken to proceed with the concept of Town Council's throughout Torbay, then in order to progress this, a Community Governance Review will need to be undertaken, within which consultation will be carried out.</p>

Section 2: Implications and Impact Assessment

<p>7.</p>	<p>What are the financial and legal implications?</p> <p>There are no legal implications of the decision to undertake a Community Governance Review. If this proposal was supported, then the formal Community Governance Review process would be followed.</p> <p>In respect of financial implications of a Community Governance Review, additional resources will be required to deliver the review as the Governance Support Team is already committed to delivering the May 2019 Torbay Council and Brixham Town Council elections as well as the new governance arrangements for 2019.</p> <p>The cost of additional resources to undertake the community governance review during 2018/2019 will be circa £50,000. There is no budget within the current Governance Support or Members' Support budget to fund this therefore it will need to be funded from Council's Revenue Contingency Budget, as advised by the Council's Chief Financial Officer.</p>
<p>8.</p>	<p>What are the risks?</p> <p>The significant risk is that the Council does not make decisions which will improve the resilience and sustainability of service delivery. The Council must either raise income or make very severe reductions in service delivery. Similar reductions are being implemented by other authorities currently and the Government has made it clear that it will not provide additional funding. An entrenchment within Torbay to core statutory services only is otherwise likely.</p>
<p>9.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>Not applicable for this proposal.</p>

<p>10.</p>	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>Local Partnerships conducted an in-depth analysis of Torbay Council's key documentation in relation to the proposal in 2017 as to the Strategic Partnering Model, and similarly undertook a parallel analysis of the key documentation of the potential partners.</p> <p>Local Partnerships have a strong track-record in advising local authorities on strategic partnerships and local government re-organisation and have undertaken similar roles in Dorset, East Kent and West Somerset and Taunton Deane.</p>
<p>11.</p>	<p>What are the key findings from the consultation you have carried out?</p> <p>The outcome of discussions with relevant authorities are set out earlier in the report.</p>
<p>12.</p>	<p>Amendments to Proposal / Mitigating Actions</p> <p>None</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)	The proposal to undertake a Community Governance Review, which ultimately could lead to a decision to create Town Councils who would deliver some of the functions of the Council, would increase the viability and resilience of the Council.		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	None		



Appendix 1

Meeting: Full Council

Date: 27 September 2017

Wards Affected: All

Report Title: Options for improving the viability and resilience of Torbay Council services

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Supporting Officer Contact Details: Steve Parrock, Chief Executive, 01803 201201, steve.parrock@torbay.gov.uk

1. Proposal and Introduction

- 1.1 This report is presented to Council by the Chief Executive, as Head of Paid Service, given the potential implications for Council wide service delivery.
- 1.2 In the light of continued austerity, it is important for all Council's to keep under review their long term strategic direction.
- 1.3 In recent months the partnering of Torbay Council's Children's Services function with another local government organisation has been considered at the recommendation of the Department of Education (DfE) appointed Commissioner, Mr. John Coughlan, who provides independent oversight and challenge to the local authority's Children's Services. This activity, alongside the local authority's continuing challenging budget reductions, have acted as a catalyst for a wider review of the local authority's function and form to ensure its future viability and resilience to deliver services.
- 1.4 Therefore, in May 2017 the Council engaged Local Partnerships and the Local Government Association (LGA) to undertake an appraisal of the potential options for Torbay to improve its viability and resilience, primarily involving new structures and partnerships with the wider local government family across the geography of wider Devon.
- 1.5 Local Partnerships commenced work on the options appraisal in May 2017 and met with senior politicians, senior officers, potential partner organisations and reviewed a wide range of key documentation. This then enabled the work to progress from a long list of potential options to a shorter list.

The short listed options were then considered in more detail and subjected a high level qualitative and quantitative analysis.

The short listed options were:

- As Is: a no change option other than the changes already identified by the Council e.g. delivery of the Transformation programme,
- Best Fit transfers: the Council seeks a range of partners best suited to help deliver specific services - be they neighbouring Councils and/or other public and private sector bodies. To an extent, this is an acceleration of the current direction of travel of the Council,
- Shared workforce with Plymouth; simply described as 2 Councils, 1 workforce,
- Shared workforce with Devon: This represents the sharing of Tier 1 service workforce (Adults and Children's Services, Transport, Waste Disposal etc.) with Devon County Council and Torbay either delivering the Tier 2 services itself or in partnership with other district councils,
- New District Council: This would involve the formal transfer of statutory powers and political responsibility for Tier 1 services so that Torbay reverts to being a District Council or 'joins' an existing District council or councils,
- New Unitary: An option modelled on the merger of Torbay with Plymouth.

The options appraisal was presented to Torbay Council's Elected Mayor, Councillors, and senior officer leadership team at a workshop on 18 July 2017 where a consensus was sought on the options that would be taken forward to detailed business case stage. At the workshop there was a consensus to develop the following options in a detailed business case:

1. Shared workforce with Plymouth City Council,

2. Shared Tier 1 workforce with Devon with Torbay operationally acting as a district council, potentially in partnership with other district councils.

- 1.6 Therefore, this Report in Appendix 1 outlines the context of this work and the process taken to date by Local Partnerships. The Business Case prepared by Local Partnerships is included as Appendix 2.

2. Reason for Proposal

2.1 Torbay Council faces significant challenges over the resilience of its future delivery of services. When combined with the continuing financial challenges, this necessitates the creation of a long-term strategy for the Council that ensures resilience of services for the people of Torbay, albeit within an ever decreasing financial envelope.

2.2 Therefore, Council are asked to make a decision over how they wish to pursue the outcome of the work to date.

2.3 *Evaluation of the Business Case and rationale for recommendation by the Chief Executive*

The Local Partnership’s Business Case has assisted the Council greatly in reviewing the options for future delivery and resilience of our services. I am clear, as are my Senior Leadership Team colleagues, that doing nothing at this juncture is not an option.

What is immediately apparent from the Business Case however is that the opportunity for a strategic partnering arrangement, does not, in and of itself, assist with the financial challenges of the Council. Whilst service resilience is important, I would advise that primary focus for the Council needs to be upon delivering savings through the transformation agenda and the opportunities for increasing the monies available for delivery of services that our residents value.

The Business Case highlights, as a key risk, the fact that pursuing a strategic partnering arrangement would detract officer time and attention from delivering the transformation savings. I believe this is a significant risk that Members need to carefully consider. To consider this risk, it is necessary to compare the required budgetary savings over the next 3 years as compared to the level of savings that would be achieved from a strategic partnering arrangement;

	2018/19		2019/20		2020/21	
MTRP required savings	£9.6m		£6m		£1.8m	
Strategic Partner	Plymouth	Devon	Plymouth	Devon	Plymouth	Devon
Savings to be achieved through a partnership (as per the Local Partnership Business Case)	£0	£0	£244k	£160k	£0	£0

As this table highlights, the level of savings to be realised from a strategic partnering arrangement are incomparable to the budget reductions faced. To pursue a strategic partnering relationship with Plymouth might deliver **1.4%** of our required savings, and for Devon it might equate to **0.9%**. There is no doubt that significant officer resources would be required to deliver a strategic partnering arrangement, for which there will be an opportunity cost, plus the actual cost of implementation.

My clear and unequivocal advice to Members is that the Council cannot allow our collective focus and limited capacity to be distracted from delivering savings through our transformation programme and the income generation aims of our Investment Strategy. The implications for the Council's future viability of any such

loss of focus is profound. For this reason therefore I have to recommend that we do not pursue a strategic partnering arrangement with any party at this time.

If my advice is accepted this will mean that the Council's current service delivery model will be maintained; we will continue to deliver our adult social care through the Integrated Care Organisation, subject to their agreement we will partner with Plymouth City Council in respect of our Children's Services and we will continue to deliver all other services in the most efficient and effective way possible.

The Business Case however highlights two options in respect of opportunities to increase the level of income and therefore the level of resilience to the Council;

1. Raise Council Tax to levels comparable in the rest of Devon, or
2. Create Town Councils across the entirety of Torbay, who have an ability to raise income through the precept mechanism, and devolve certain services e.g. public conveniences and public realm maintenance, to them.

In considering these options, I recognise that the concept of increasing public taxation is unlikely to be immediately popular to many. However I do believe that the creation of Town Councils across the entirety of Torbay, in addition to raising much needed revenue, is likely to have significant and long lasting positive benefits on our communities, with the benefits reaching far and beyond those created by the additional revenue created.

With the role of the state diminishing, it is vital that we ensure that we facilitate sustainable communities for our residents and for future generations. Sustainable communities are places where people want to live and work, both now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are supportive, safe and inclusive, they have community cohesion and civic pride.

An important aspect to approaching sustainable communities is allowing local people a say in the way their neighbourhoods are managed, with one of the key characteristics being the desire for the community to be well run with effective and inclusive participation, representation and leadership. This means:

- a) representative, accountable governance systems which enable inclusive, active and effective participation by individuals and organisations; and
- b) effective engagement with the community at neighbourhood level including capacity building to develop the community's skills, knowledge and confidence.

I believe that the creation of Town Council's across the entirety of Torbay provides a governance system that will empower and give residents an even greater say in how their local neighbourhoods are managed. Thereby developing sustainable communities, whilst at the same time increasing the overall revenue budget available for resilience and service delivery.

If Torbay Council does not pursue any of the options as set out above, then it will inevitably be forced to make very deep cuts to public services in 2019/20. In such a scenario it may be said that council chose the 'do nothing option' at this time, even though one of the options within its control and not requiring a referendum could have gone a long way to ensuring the continued delivery of local place shaping services that our residents value most. The funding shortfall in 2019/20 is estimated

to be £4.5m (after forecast transformation savings and investment fund income is taken into account).

3. Recommendation(s) / Proposed Decision

Chief Executive Recommended Decision

- 3.1 That Council confirms that it will maintain its existing service delivery model and will not pursue any Strategic Partnering arrangement;
- 3.2 That Council instructs the Assistant Director of Corporate and Business Services to undertake a Community Governance Review with a view to considering the principle of three Town Councils across the entirety of Torbay.
- 3.3 That a Community Governance Review Working Party be established, with the terms of reference to oversee impartially and objectively the implementation of the Community Governance Review and to report back to Full Council with recommendations based on the responses to the consultation. The Working Party to be created with the following membership, the Elected Mayor, and 7 additional members, to be politically balanced (5 Conservative, 1 Liberal Democrat and 1 Independent).

Appendices

Appendix 1: Supporting Information and Impact Assessment

Appendix 2: Detailed Business Case

Supporting Information and Impact Assessment

Service / Policy:	Options for improving the viability and resilience of Torbay Council's services
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Section 1: Background Information	
1.	<p>What is the proposal / issue?</p> <p>Torbay Council, with support from Local Partnerships and the Local Government Association (LGA), have undertaken an options appraisal on the future options for Torbay Council's future structure so as to improve the viability and resilience of services. This options appraisal led to the development of a business case (attached at Appendix 2) on the options to enter into a strategic partnership to share a workforce with either Plymouth City Council or Devon County Council.</p> <p>However, after further analysis it has become clear that a third option has emerged from within the business case. This third option involves the creation of town councils in Torquay and Paignton, this could occur as a stand alone option, or in conjunction with the Council pursuing a strategic partnership.</p> <p>Therefore, Council is being asked to determine how they wish to progress matters from this point.</p>
2.	<p>What is the current situation?</p> <p>Torbay Council was a district council up until 1998 when it acquired unitary status, taking on responsibility for tier 1 services that were previously delivered in Torbay by Devon County Council. The tier 1 services included adult and children's social care, education, transport, libraries and waste disposal.</p> <p>In the light of continued austerity, it is important for all Council's to keep under review their long term strategic direction. This is particularly pertinent for Torbay Council where there has been a freeze on raising council tax over the last five years. This coupled to the area's challenges in relation to deprivation and an aging population has provided the council with significant challenges in delivering social care.</p> <p>In January 2016 OFSTED rated Torbay Council's children's services as inadequate and the Department of Education (DfE) issued the council with a Statutory Direction</p>

	<p>in May 2016 and appointed the Chief Executive of Hampshire County Council, Mr John Coughlan, as DfE Commissioner for Torbay's children's services. Whilst the Commissioner's primary role is to challenge and support the service to address the failures identified by OFSTED, he was also required to explore the extent to which sustained improvement in children's services might be secured through different models of governance and service delivery. As a consequence of repeated failure, Torbay Council falls into a category of intervention whereby there is a central government assumption that the governance of services will be changed.</p> <p>In January 2017, the DfE Commissioner commenced a dialogue with partner agencies to explore the appetite of local authorities in the south west region to work with Torbay Council's children's services and subsequently meetings were held with both Devon County Council and Plymouth City Council.</p> <p>On 5 April 2017 the DfE Commissioner wrote to the DfE recommending that a partnership with Plymouth City Council's children's services provided the best option for sustainable improvements in children's services in Torbay within a reasonable timeframe. However, within his recommendation the Commissioner acknowledged that if there were 'serious and imminent possibilities of a wider partnership with Devon County Council' or 'of deeper local government re-organisation' these would be a material consideration for the Minister in coming to a decision.</p> <p>Therefore, in order to ensure that the Council's overall strategic direction was considered alongside any specific decision on children's services, Torbay Council commissioned Local Partnerships, working with the Local Government Association (LGA), to undertake an appraisal of the various options for its future organisational form and partnership working.</p> <p>Local Partnerships are a joint venture between HM Treasury and the LGA and provides support and advice to public bodies looking at new models of operating.</p> <p>Whilst Local Partnerships have been undertaking the options appraisal, Full Council met on 20 July 2017 to consider the partnering of Torbay's children's services with Plymouth City Council in accordance with the Commissioner's recommendation, whereby it was agreed that a detailed partnership agreement would be developed with Plymouth City Council.</p> <p>Whilst Devon County Council were still wanting to be considered a partner in respect of Children's Services as part of a wider partnership for all tier 1 services, they informed the DfE Commissioner in late August 2017 that they were no longer able to be considered for the delivery of Torbay Council's Children's Services, at least in the short term. This means that, irrespective of the strategic partnership being considered in this report, there is no potential impact upon the partnering for Children's Service, and that work is continuing in earnest to ensure the joint delivery of Children's Services with Plymouth City Council, commencing in 2018.</p>
<p>3.</p>	<p>What options have been considered?</p> <p>Local Partnerships commenced work on the options appraisal in May 2017 and met with senior politicians, senior officers, potential partner organisations and reviewed a wide range of key documentation from both Torbay and potential partners such as Devon County Council, Plymouth City Council and South Hams and West Devon District Councils. This then enabled the work to progress from a long list of potential options to a short list.</p>

The short listed options were then considered in more detail and subjected a high level qualitative and quantitative analysis.

The short listed options were:

- As Is: a no change option other than the changes already identified by the Council e.g. delivery of the Transformation programme,
- Best Fit transfers: the Council seeks a range of partners best suited to help deliver services - be they neighbouring Councils and/or other public and private sector bodies. To an extent, this is an acceleration of the current direction of travel of the Council,
- Shared workforce with Plymouth; simply described as 2 Councils, 1 workforce,
- Shared workforce with Devon: This represents the sharing of Tier 1 service workforce (Adults and Children's Services, Transport, Waste Disposal etc.) with Devon County Council and Torbay either delivering the Tier 2 services itself or in partnership with other district councils,
- New District Council: This would involve the formal transfer of statutory powers and political responsibility for Tier 1 services so that Torbay reverts to being a District Council or 'joins' an existing District council or councils,
- New Unitary: An option modelled on the merger of Torbay with Plymouth.

The short listed options were evaluated against the following criteria:

- Transition demand from high cost services to lower cost services
- Support economic growth
- Increase service resilience
- Increase income generation
- Speed of implementation
- Deliver a permanent cost reduction of at least an additional £5m
- Fundable cost of transition
- Autonomy over decision
- Maintain the Torbay identity
- Retain local democratic control and influence
- Compatible with local and central public service policy direction
- Pre-disposition of partners towards the option.

The options appraisal was presented to the Elected Mayor, Councillors, and senior officer leadership team at a workshop on 18 July 2017 where a consensus was sought on the options that would be taken forward to detailed business case stage. At the workshop there was a consensus to develop the following options into a detailed business case:

1. Shared workforce with Plymouth City Council
2. Shared Tier 1 workforce with Devon with Torbay operationally acting as a district council, potentially in partnership with other district councils.

For each of the options within the Business Case, the concept of Town Council's and whether there is the potential for them to progress in the longer term to any form of Local Government re-organisation was agreed to be explored, and subsequently this has emerged as a discrete third option.

	<p>The detailed business case for the options is attached at Appendix 2 and it is this business case that forms the key information for making the decisions outlined in this Report.</p> <p>It is important to note that Local Partnerships have not recommended a particular option to Torbay Council as their remit was only to identify the potential options and to test them against a set of agreed criteria so that the Council understands the implications of each option before making a decision.</p>
4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>The proposal supports both of the ambitions of the Council's Corporate Plan (A Prosperous and Healthy Torbay) as it seeks to ensure the ong-term stability of service delivery by Torbay Council.</p>
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>It is not perceived that this proposal will impact negatively on the residents of Torbay.</p> <p>If a Strategic Partnership were to be pursued this is only likely to impact on the senior levels of the Council's management staff. If any wider staff impact were to emerge as a possibility, then the Council will ensure that all proper policies and procedures in regard to Human Resources are undertaken with the appropriate consultation with unions and any staff who will be affected.</p>
6.	<p>How will you propose to consult?</p> <p>All key organisational stakeholders have been consulted with since May 2017 when the Local Partnerships work commenced and have been updated via face to face, telephone and email communication at key parts of the process and this will continue to be undertaken after the decision is taken on how to proceed.</p> <p>If a decision is taken to proceed with the development of a delivery and implementation plan with the preferred partners then the Council will undertake a public engagement process.</p> <p>In regard to any human resources implications as stated above the Council will follow the appropriate policies and adhere to employment law as applicable.</p> <p>If a decision is taken to proceed with the concept of Town Council's throughout Torbay, then in order to progress this, a Community Governance Review will need to be undertaken.</p>
Section 2: Implications and Impact Assessment	
7.	<p>What are the financial and legal implications?</p> <p>The financial and economic implications of the proposals are outlined in detail in Appendix 2 Detailed Business Case in Section 3 Economic Case and Section 5 Financial Case.</p> <p>However, in summary the following high level savings are associated with the three options:</p>

	<ul style="list-style-type: none"> <input type="checkbox"/> £610k of savings in the first three years with the shared workforce option with Plymouth City Council with Torbay's portion being approximately £244k <input type="checkbox"/> £570k of savings in the first three years with the shared workforce option with Devon County Council with Torbay's portion being approximately £160k <input type="checkbox"/> £3.0m of increased revenue funding to Torbay Council via the establishment of two new town councils in Torquay and Paignton <p>The legal implications of the proposals are that Torbay Council and any preferred partner would need to agree a Partnership Agreement as a legal basis for the arrangements. However, there would not be any change to the legal status and sovereignty of Torbay Council or the partnering local authority.</p> <p>There may be human resource implications identified as part of any implementation plan for a strategic partnerships, in respect of senior officers of the Council. If redundancies were to take place then the Council has the option to capitalise these costs.</p> <p>However, if the option to create town councils in Torquay and Paignton was pursued then a Community Governance Review would need to be undertaken, and the appropriate process followed.</p>
<p>8.</p>	<p>What are the risks?</p> <p>The key high level generic risks associated with the proposals are outlined below:</p> <ul style="list-style-type: none"> <input type="checkbox"/> That the financial and economic benefits identified in the business cases do not materialise or do not materialise at the pace required <input type="checkbox"/> That preferred partner does not agree to proceed with partnership in the future <input type="checkbox"/> Public opposition to the creation of two new town councils in Torquay and Paignton <input type="checkbox"/> That Department for Communities and Local Government (DCLG) impose a council tax referendum on town councils <input type="checkbox"/> That the option selected does not deliver service resilience to Torbay Council <input type="checkbox"/> That the strategic visions of both partners may diverge over time <input type="checkbox"/> That the development of the partnership distracts the partners from their pre-existing transformation programmes <input type="checkbox"/> That the operating models/service philosophy of the partners may not be complimentary <input type="checkbox"/> That ICT systems across the partners are not compatible for shared working service delivery <input type="checkbox"/> That pre-existing service delivery relationships act as a barrier to shared working arrangements <input type="checkbox"/> That the physical distance between partners acts as a barrier to shared working arrangements <input type="checkbox"/> That partners do not have appropriate project/programme management staff and skills at their disposal to deliver the changes required to move to shared workforce.

	<p>If a delivery and implementation plan is to be developed, specific risks will be identified and managed via a risk register that will identify mitigating actions and will be regularly reviewed.</p>
9.	<p>Public Services Value (Social Value) Act 2012 Not applicable for this proposal.</p>
10.	<p>What evidence / data / research have you gathered in relation to this proposal? Local Partnerships have conducted an in-depth analysis of Torbay Council's key documentation in relation to this proposal and have also undertaken a parallel analysis of the key documentation of the potential partners. The analysis of this information has then been used to produce an initial Options Appraisal, which then informed the Detailed Business Case, which is attached at Appendix 2.</p> <p>Local Partnerships have a strong track-record in advising local authorities on strategic partnerships and local government re-organisation and have undertaken similar roles in Dorset, East Kent and West Somerset and Taunton Deane.</p>
11.	<p>What are the key findings from the consultation you have carried out? Meetings and feedback from key stakeholders has supported the work that Torbay Council has undertaken in partnership with Local Partnerships as they recognise the challenges the local authority has in relation to the future viability and sustainability of services as well as the significant financial challenges faced by the local authority in recent years as well as in the years ahead.</p> <p>Naturally, different stakeholders have differing views although a common theme was that stakeholders wanted to ensure that any decision was made on the evidence in the business cases rather than emotional attachments or pre-existing low level partnering relationships.</p> <p>Where stakeholders did express a preference for the Devon option this was based on the greater identification with the county as a place and the degree of cross-border working. Where the Plymouth option was preferred it was based on the similarities between the social-economic and demographic factors of Plymouth and Torbay as well as on the cultural fit between the two organisations.</p> <p>One recurring theme in the stakeholder's responses was the need for urgent and decisive action by the Torbay's elected members in determining how they wanted to progress matters from this point.</p>
12.	<p>Amendments to Proposal / Mitigating Actions In developing the detailed business cases at Appendix 2 Local Partnerships have taken into account the feedback from the key stakeholders.</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	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
	People with caring Responsibilities	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		

People with a disability	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
Women or men	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		

<p>Religion or belief (including lack of belief)</p>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
<p>People who are lesbian, gay or bisexual</p>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
<p>People who are transgendered</p>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		

<p>People who are in a marriage or civil partnership</p>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
<p>Women who are pregnant / on maternity leave</p>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
<p>Socio-economic impacts (Including impact on child poverty issues and deprivation)</p>	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		

	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	<p>The partnering with another local authority and/or the creation of town councils will give Torbay's services greater resilience.</p> <p>The principle of creating Town Councils is an important aspect of creating sustainable communities, by allowing local people a say in the way their neighbourhoods are managed.</p>		
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	The proposals impact upon all areas of the Council.		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	The delivery of the Devon Sustainability and Transformation (STP) Plan may impact on the delivery of the proposal in relation to health and social care structures however Local Partnerships have taken the work to date on the STP into account in their detailed business cases.		



Business Case

September 2017

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Appendix A

Introduction

In May 2017, the Local Government Association (LGA) and Local Partnerships were appointed to assist Torbay Council in undertaking a preliminary appraisal of the potential options for improving the viability and resilience of its services over the long term.

The last six years of Government spending cuts has reduced the council's budget by £62m. A further £18m is required over the next three years, which will mean a total reduction of 40% over the nine years to 2019/20.

On the service front, a recent review by OFSTED rated its Children's Services as inadequate and this led to the appointment of an independent Commissioner to oversee the council's progress in making the required improvements to the service. As part of these improvements, the partnering of Children's Services with another local authority has been recommended to the DfE by the Commissioner.

These factors are proving to be the main drivers of this review of the council's function and form, with members and officers believing that maintaining the status quo is unsustainable in respect of maintaining service delivery in the medium and longer term.

Hence, the appraisal work has intentionally focused upon new structures and partnerships with the wider local government family across Devon.

An initial piece of high level appraisal work concluded in June with a presentation to the Elected Mayor and Group Leaders and this was reviewed with all council members on the 18th July 2017 as part of a workshop afternoon. The workshop enabled Members to understand and question the scope of the initial work; the approach taken and the implications of the options identified. As part of the workshop, Members agreed that retaining the status quo was no longer an option and were asked to select the options they felt warranted further analysis as part of a detailed business case and also set out the criteria that options should be tested against (contained in Appendix A).

Our Methodology

Following the workshop with Members on the 18th July 2017, it was agreed that the following options should be taken forward for assessment within a detailed business case exercise.

Option	Description
1	shared workforce with Plymouth
2	shared Tier 1 workforce with Devon with Tier 2 services being delivered by Torbay, potentially in partnership with other District councils e.g. South Hams and West Devon

For both of these options we have explored whether;

- the option could, in the longer term, lead to some form of Local Government re-organisation, and
- the potential to create Town Councils across the entirety of Torbay.

The business case conforms to HM Treasury's Green Book Guidance for business case development. It is based on five factors:

1. Strategic: the current context of Torbay Council and why establishing a strategic partnership can be considered to be a viable and sustainable solution.
2. Economic: considers whether a strategic partnership will deliver a net economic benefit over the status quo .
3. Commercial: analyses the key factors and actions that will minimise the costs identified in the Economic Case and maximise the benefits.
4. Financial: profiles the financial costs and revenue benefits of each option to ascertain whether they are viable and affordable.
5. Management: examines how the partners foresee the shared arrangements operating and the implications for project management, operational management and democratic governance.

In assembling this outline case we have received the full co-operation of the potential partner organisations in supplying data and agreeing to hold detailed discussions with us. We have also interviewed a number of local stakeholders.

Developments during the course of our work

A number of factors have influenced our preparation of this Business Case:

- The council decision of 24th July 2017 to accept the recommendation of the DfE Commissioner to look to Plymouth as the future partner for Children's Services
- The decision by Devon County Council to accept that they are not currently in the position to put themselves forward as a partner for Children's Services, but to continue discussions on other Tier 1 services
- The discussion with DCLG civil servants and leading Members and officers on 1st September 2017. The advice from DCLG was that any consideration of Local Government re-organisation would require the full agreement of all councils involved, before referral to the Secretary of State. However, it was confirmed that the Government were not seeking to create new District Councils but to create larger Unitaries. Currently, without full agreement of the councils and key stakeholders there was no will in Government to impose any structural changes. It was better to regard it as a longer-term option

Our remit was not to make a recommendation on a preferred option but to highlight the implications of any decision based on the Treasury Green Book Criteria. In developing this outline business case we have sought, wherever possible, to use corroborating evidence rather than report on what we have been told in our discussions with the councils and stakeholders.

1. Executive Summary

Option 1 – shared arrangement with Plymouth

Strategic Case

- Whilst inevitably Plymouth-centric, Plymouth's strategy is aligned at the generic level with the priorities of Torbay.
- Similarity of socio-economic and demographic factors and cultural fit between the two organisations is seen as attractive by stakeholders.
- The LGA Peer Review of November 2015 commented positively on the regeneration of the city, the council's clear and compelling vision for Plymouth, effective financial stewardship, strong external relationships and the quality of political and managerial leadership.
- The lack of a common geographical boundary may limit the full integration of some services.
- Plymouth have emphasised that they would not want to take on services under a piecemeal arrangement and it is a **'Red Line'** for Plymouth City Council to take on Children's Services (and Planning Services) if Torbay Council opts to enter into a strategic partnering arrangement with another council for its other services. This is because of the complex arrangements for the integrated commissioning of Plymouth's 'People Directorate' services means that it would not be possible for them to disaggregate provision or guard against impacts from related services. However, subject to approval by Plymouth's Full Council later this month, Plymouth remain committed to supporting in principle Torbay's Children's Services on the basis that Torbay do not enter into a strategic partnering arrangement with another authority, and on the basis that the agreement in respect of Children's requires Torbay to seek the express agreement of Plymouth in respect of any organisational changes that would significantly affect Children's Services.

Option 2 – shared arrangement with Devon

Strategic Case

- Stakeholders felt Torbay's identification with the county as a place and the degree of cross-border working are key strengths.
- The degree of cross-border activity between the two councils is considerable.
- The LGA Peer Review of October 2016 commented positively on the effectiveness of the council as "leader of place", as a valued and respected partner and the council's effectiveness in addressing financial challenges.
- The split of Tier 1 services between Plymouth (Children) and county (the remainder) may slow down achieving potential service synergies and there would be added complication in relation to back office services providing support to Tier 1 and Tier 2 functions.

1. Executive Summary (cont)

Option 1 – shared arrangement with Plymouth

Economic Case

- There is potential value to the public purse of a partnership as shown in the table below.

Option 1 - Plymouth			
Benefit (£'000s per annum)		0-3 years	> 3 years
Savings		610	2,520
Payback (years)	1 - 2.5		

- The pace at which these could be achieved will be determined by how the partnership is developed and implemented, linked to the timing and level of up front transition costs invested with experience elsewhere indicating that the payback term could range from between 1 to 2.5/3 years.
- The main area of assistance and service improvement that Torbay could benefit from is with respect to repatriation of externalised services.
- There could be a resource benefit to local government in Plymouth and Torbay of becoming a stakeholder in Plymouth's back office joint venture, borne from wider access to the NHS market.
- There is the potential for the Council's to support each other with a longer term improvement in its skills base and workforce productivity.

Option 2 – shared arrangement with Devon

Economic Case

- There is potential value to the public purse of a partnership as shown in the table below.

Option 2 - Devon			
Benefit (£'000s per annum)		0-3 years	> 3 years
Savings		570	2,480
Payback (years)	1 - 2.5		

- The pace at which these could be achieved will be determined by how the partnership is developed and implemented, linked to the timing and level of up front transition costs invested with experience elsewhere indicating that the payback term could range from between 1 to 2.5/3 years.
- The main benefit of a partnership with Devon would be in terms of efficiency and resilience.
- This option lends itself better to expanding the town and parish council model and establishing a greater ethos of local support and volunteering as well as the opportunity to raise additional income for service budgets.
- Whilst there are less obvious alignments between the Torbay economy and that of the wider Devon county, there are clear links to Greater Exeter, underpinned by the new South Devon Highway which is also a demonstration of how Torbay links with the county on support for major road/rail infrastructure programmes.

1. Executive Summary (cont)

Option 1 – shared arrangement with Plymouth

Commercial Case

- There are no obvious barriers to achieving savings at a management level but thought needs to be prioritised around the practical organisational design implications.
- Opportunities will exist in relation to procurement and property but these are harder to reach and will be long term projects.
- The partnering of Children’s Services with Plymouth would pave the way for alignment across other major service areas but the intentions of the NHS, in relation to Accountable Care Organisations, may cut across these to some extent.
- There are similarities with Plymouth in a number of saving and income generation initiatives that Plymouth and Torbay could benefit from.

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Option 2 – shared arrangement with Devon

Commercial Case

- There are no obvious barriers to achieving savings at a management level but thought needs to be prioritised around the practical organisational design implications.
- Opportunities will exist in relation to procurement and property but these are harder to reach and will be long term projects.
- Shorter term opportunities exist with South Hams/West Devon with respect to waste collection and ICT but these depend on the future of the TOR2 venture and the ability to disaggregate the Torbay back office systems across Tier 1 and Tier 2 services.
- There is potential to expand the geographic coverage of the ICO which should drive economies of scale.
- The transfer of Children’s Services to Plymouth could create an unprecedented triangulated management relationship involving Torbay, Devon and Plymouth which could create both opportunities and difficulties.
- The respective strategies for savings and investments are distinctly different.

1. Executive Summary (cont)

Option 1 – shared arrangement with Plymouth

Financial Case

- The next four years will require Plymouth to make more savings than Torbay but when considered on a per household basis, the requirements are broadly similar.
- The table below illustrates how the potential scale and profile of management savings that could be achieved through a partnership, relate to the medium term financial position of both councils.
- An assumption has been made that these will be shared in accordance with respective net revenue expenditure budgets. This will need to be worked through and negotiated to both partners satisfaction as well as their respective external auditors to ensure no issues of cross-subsidisation arise.

Option 1 - contribution to saving challenge					
	Savings required (£'000s)	Total	2018/19	2019/20	2020/21
Torbay		17,400	9,600	6,000	1,800
Plymouth		25,181	7,980	11,334	5,867
	Total	42,581	17,580	17,334	7,667
Management savings (£'000s)					
Torbay		244	0	244	0
Plymouth		366	0	366	0
	Total	610	0	610	0
Contribution to savings required (%)					
Torbay		1.40%			
Plymouth		1.50%			
	Total	1.40%			

- It is evident from above that this option will not contribute savings of significance in the context of the scale required, and a risk exists in terms of the distractive impact it could have on both councils existing savings programmes.

Option 2 – shared arrangement with Devon

Financial Case

- Both Devon and Torbay have faced similar savings requirements to date, on a per household basis, but the projections for Devon over the next four years are less challenging than for Torbay.
- The table below illustrates how the potential scale and profile of management savings that could be achieved through a partnership, relate to the medium term financial position of both Devon and Torbay as well as South Hams and West Devon, should a Tier 2 partnership also be pursued with them.
- An assumption has been made that these will be shared in accordance with respective net revenue expenditure budgets. This will need to be worked through and negotiated to all partners satisfaction as well as their respective external auditors to ensure no issues of cross-subsidisation arise.

Option 2 - contribution to saving challenge					
	Savings required (£'000s)	Total	2018/19	2019/20	2020/21
Torbay		17,400	9,600	6,000	1,800
Devon		49,245	26,902	13,239	9,103
South Hams and West Devon		2,561	1,634	548	379
	Total	69,205	38,136	19,787	11,282
Management savings (£'000s)					
Torbay		160	0	160	0
Devon		380	0	380	0
South Hams and West Devon		30	0	30	0
	Total	570	0	570	0
Contribution to savings required (%)					
Torbay		0.90%			
Devon		0.80%			
South Hams and West Devon		1.20%			
	Total	0.80%			

- It is evident from above that this option will not contribute savings of significance in the context of the scale required, and a risk exists in terms of the distractive impact it could have on both councils existing savings programmes.

1. Executive Summary (cont)

Option 1 – shared arrangement with Plymouth

- The establishment of a fully parished Torbay could enable an estimated £3m of additional revenue to be collected via the precept mechanism.

Management Case

- Plymouth's starting point would be to engage with Torbay Members on understanding their vision for Torbay.
- The intention would be to establish a Joint Steering Group that would agree the shape and appointment process for a senior officer leadership team with integration on a phased basis:
 - Children's services first – April 2018
 - Back-office services
- Then proceeding on a service business case by business case
- Although Plymouth would want to achieve synergies and savings from integration as speedily as possible, their experience is that the full benefits from transformation will not be realised in less than 3-5 years.

Option 2 – shared arrangement with Devon

- The potential to underwrite Torbay's financial position as part of taking on management responsibility has been raised in discussions with Devon, but there are a number of significant implications associated with this which would need to be considered.
- The establishment of a fully parished Torbay could enable an estimated £3m of additional revenue to be collected via the precept mechanism.

Management Case

- Devon would favour a "Big Bang" approach and believe shared arrangements would take an initial six months work once the starting gun is fired.
- Their starting point would be the establishment of effective governance arrangements and appointment of a shared officer leadership team as a first task.
- They would want to explore, utilising their "Doing what matters" programme of leader-led change to inform shared organisational design principles. This would be a longer-term process to start after the initial six months design work but they do not see a strategic partnership as a short term fix and would want a minimum 3-5 year commitment from Torbay.
- South Hams and West Devon's assumption is that priority will be given to working out shared management arrangements for Tier 1 services. Therefore work on Tier 2 services will not commence for six months after any council decision on the former.

The Strategic Case

Introduction

This section of the business case sets out the current context of Torbay Council and why establishing strategic partnerships can be considered to be a viable and sustainable solution. It also considers the alignment of each of the proposed options in terms of strategic fit and their perceived benefits of a strategic partnership.

Current context

Local government is under significant pressure: resources are scarce, yet demand is rising through population and demographic changes. Medium term uncertainty on the level and composition of local government funding exacerbates this pressure. These pressures are felt acutely by the smaller unitary councils, of which Torbay is one. The demands of the provision of Children and Adult Services have led to significant financial pressure on the council. Meeting these pressures has, inevitably, led to reductions in other parts of the council and the services they provide. Both from council employees and those who work, as partners, with the council, we were given many examples of how stretched, and limited, resources are. The financial position of the council is set out in the financial case section of this outline business case.

Faced with this difficult and uncertain financial outlook Torbay is not alone in considering options they have not looked at previously. Further down the South Coast, Poole – awaiting the Secretary of State's decision on unitary proposals – is forging ahead with shared workforce arrangements with neighbouring Bournemouth.

The Strategic Case (cont)

At the Member briefing on 1st September 2017, DCLG officials reconfirmed their criteria for evaluating proposals for change i.e. that they should:

- improve local public services
- achieve greater value for money
- achieve significant cost savings
- provide a sustainable future for the council in the medium to longer term
- enhance the strategic leadership at partnership and local level

In considering strategic partnerships, Torbay should be seeking to achieve:

- resilience and capacity: a partnership has the ability to draw upon a larger pool of resources in all functional areas
- staff retention: a partnership would also be able to create a structure that offers more career opportunities and offers greater appeal in the jobs market and so able to recruit and retain high calibre staff
- a louder voice in engaging with regional bodies such as the LEP and nationally with Whitehall departments to exert greater influence and attract funding and inward investment

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These are realistic aspirations. Recent research (Independent analysis of governance scenarios and public service reform in county areas: EY 2016), on local government reorganisations concluded that larger councils are most likely to generate economies of scale and be resilient in the context of continued budget pressures. Whilst a fundamental re-organisation of Devon's local government boundaries may not be a realistic short, or even, medium term option, a strategic partnership is.

The remainder of this section looks at elements of strategic alignment and “fit” under the two options.

2. Strategic Case (cont)

Option 1 – shared arrangement with Plymouth

Plymouth, like Torbay, is a unitary council. The communities they serve, in terms of socio-economic characteristics and their economies, have a degree of complementarity. Given this degree of complementarity, Plymouth faces the same issues that Torbay are confronting. In some areas, however, they are further down the improvement journey, recognised by DFE's Commissioner in respect of Children's services.

The LGA Peer Review of November 2015 commented positively on the regeneration of the city, the council's clear and compelling vision for Plymouth, effective financial stewardship, strong external relationships and the quality of political and managerial leadership.

The council's vision for Plymouth is based on 20 themes set out below:

- quality services focused on customers' needs
- balancing the books
- new ways of working
- best use of councils assets
- working constructively with everyone
- quality jobs and valuable skills
- broad range of homes
- increased levels of investment
- meeting future infrastructure needs
- green and pleasant city
- focus on prevention and early intervention
- keeping children and adults protected
- inclusive communities
- respecting people's wishes
- reduce health inequalities
- council decisions driven by citizen need

Option 2 – shared arrangement with Devon

Until 1998, Devon County Council provided Tier 1 services to Torbay. Since its creation as a unitary council, Torbay has continued to forge cross-border links with the county council. One of the themes emerging from our stakeholder interviews was the close identification with Devon as a place for many Torbay residents. Within its boundaries, there are 100+ Parish councils which are financially supported by the council.

The LGA Peer Review of October 2016 commented positively on the effectiveness of the council as "leader of place", as a valued and respected partner and the council's effectiveness in addressing financial challenges.

The county is currently re-drafting its strategic plan for Member endorsement in October. It will be more outcome focussed with the main themes likely to be:

- healthier
- safer
- better connected
- prosperous
- resilience/self-help

Sitting behind these themes will be targets for educational attainment, the environment etc. At the generic level there is complementarity with what Torbay is seeking to achieve.

2. Strategic Case (cont)

Option 1 – shared arrangement with Plymouth

- plymouth as a destination
- improved street scene environment
- motivated, skilled and engaged workforce
- setting the direction for the South West

And whilst inevitably Plymouth-centric, is aligned at the generic level with the priorities of Torbay.

Their rationale for entering into a strategic partnership are:

- strategic – in planning and economic development terms as part of the South Devon growth corridor with greater access to labour and skills
- a more powerful voice to government and LEP
- economies of scale through effective integration of services which as a unitary to unitary partnership could ease implementation challenges and enhance synergies both between the two councils and between services particularly in the Children and Adult services re: transition of users between the two
- longer term resilience for both unitary councils
- a commitment to sector-led improvement.

Option 2 – shared arrangement with Devon

The county's rationale for seeking to partner with Torbay are:

- common strategic direction particularly around the achievement of economic objectives
- a stronger voice for both councils regionally and nationally
- greater resilience and capacity for Tier 1 services
- enhanced integration particularly with other public sector partners – NHS, Police etc.
- an altruistic motivation of supporting an area needing support that was formerly within county council boundaries.

2. Strategic Case (cont)

Option 1 – shared arrangement with Plymouth

The council has a strong track record on regeneration and the delivery of major capital projects. It has established good long-term relationships with Whitehall and its agencies e.g. HCA and English Partnerships.

Politically the council has a record of alternating between Conservative and Labour-led administrations. In the context of a strategic partnership, cross-party support will be critical. This has bred within Plymouth officers an ability to manage effectively a political environment, acknowledged in the LGA Peer Review. A partnership with Torbay for Children's Services is due to be endorsed by full council on 25 September as an 'in principle' agreement to proceed to the next stage. A final decision will not be made until the end of 2017/early 2018 following an extensive due diligence exercise. There is joint work on the Economic Corridor proposal and the council are also discussing with Torbay a tie-up with planning functions and have existing relationship on a joint energy from waste plant.

Set against this, the lack of a common geographical boundary may limit the full integration of some services.

Option 2 – shared arrangement with Devon

The council has a good track record of economic development relating to rural areas and support to SME's. For Torbay, road and rail links look north and the council has been instrumental in their upgrading. The council has well established and effective relationships with Whitehall departments and agencies.

The degree of cross-border activity between the two councils is considerable in:

- health – where 51% of the population served by Torbay's integrated care organisation (ICO) are Devon residents
- education – where Devon children attend Torbay schools and Torbay students attend Devon colleges
- infrastructure – where the county funded the southern relief road
- community safety and in public health
- joint procurement on highways issues, weather forecasting, salt supply, and road safety.

Such joint activity should ease integration implantation issues if Devon becomes Torbay's strategic partner. The LGA Peer Review commented positively on Devon's partnerships track record. Set against this, the split of Tier 1 services between Plymouth (Children) and county (the remainder) may slow down achieving potential service synergies particularly between Children and Adult services. Similarly there would be added complication in relation to back office services providing support to Tier 1 and Tier 2 functions.

2. Strategic Case (cont)

Option 1 – shared arrangement with Plymouth

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Option 2 – shared arrangement with Devon

South Hams / West Devon District Councils

The councils have established a single shared workforce. Currently proposals to merge the two councils is out to public consultation. Torbay shares a geographical boundary with South Hams and in terms of parliamentary boundaries one constituency covers parts of both councils.

In seeking to partner with Torbay, the council's rationale focuses on delivering improved services at reduced costs. Two common procurement opportunities will present themselves over the next 18 months i.e. services currently covered by the TOR2 contract and IT services.

The councils, since their decision to opt for a shared workforce, have a strong track record of achieving major service process redesign and associated savings.

The councils operate a distinct operating model with an emphasis on customer self serve, generic case management and a smaller cadre of specialists. Depending on the number and scope of services shared between Torbay and the councils, Torbay may or may not have to contemplate adoption of this model. This is discussed in more detail in the management case.

Stakeholder interviews

We interviewed, either face-to-face, or by telephone, the following:

- Damian Offer, Director, Torbay Coast and Countryside Trust
- Simon Sherbersky, Lead Officer, Torbay Community Development Trust
- Vince Flower, Chairman, Torbay Development Agency
- Dr Nick Roberts, Chief Clinical Officer, South Devon and Torbay CCG
- Kevin Foster, MP
- Mairead McAlinden, Chief Executive, and Sir Richard Ibbotson, Chairman, Torbay and South Devon NHS Foundation Trust
- Chris Garcia, Chief Executive, Heart of the South West LEP
- Deb Laphorne, Centre Director for South West, Public Health England
- Stephen Criddle, Principal, South Devon College
- Tracey Hallett, Town Clerk, Brixham Town Council
- Sarah Wollaston, MP

The basis of the interviews was that any views expressed were non-attributable.

To all persons interviewed understood and welcomed the council's decision to explore strategic partnership options and the rationale for going so. Many expressed no preference for which strategic partner the council should choose. For those that did express a preference; for Devon it was based on the greater identification with the county as a place and the degree of cross-border working; for Plymouth it was based on similarity of socio-economic and demographic factors and cultural fit between the two organisations.

Another recurring theme from the stakeholders was the importance they attached of decisive and urgent action by Torbay Members in determining which option should be pursued.

3. Economic Case

This section considers whether a new operating model and structure will deliver a net economic benefit over the status quo and identifies which, if any, of the two options are likely to deliver the greatest benefit.

Option 1 – shared arrangement with Plymouth

Will the partnership save money?

There is a staffing saving of up to £610k per annum that could be achieved by joining up the two organisations at management level, dependent upon the nature and extent of the tie up pursued. There is also value that could be released from the office portfolio, in terms of capital (£3m) and revenue per annum of (£0.4m) but this is also dependent upon a range of factors as described in the Commercial Case and not directly dependent upon this partnership arrangement. The other main saving area is the impact of longer term organisational change on both staff costs and external spend. The table below includes a provision of £1.51m based on an illustrative 5% saving on both non-management staff and accessible external spend, as explained in the Commercial Case.

Option 1 - Plymouth			
Benefit (£'000s per annum)		0-3 years	> 3 years
Savings		610	2,520
Payback (years)	1 - 2.5		

Option 2 – shared arrangement with Devon

Will the partnership save money?

There is a potential staffing saving of up to £470k per annum that could be achieved by joining up the majority of Tier 1 services at management level, dependent upon the nature and extent of the tie up pursued. It is estimated that a further £100k could be achieved by saving management at Tier 2 level with South Hams and West Devon councils. There is also value that could be released from the office portfolio, in terms of capital (£3m) and revenue per annum of (£0.4m) but this is also dependent upon a range of factors as described in the Commercial Case and not directly linked to a partnership arrangement. The other main saving area is the impact of longer term organisational change on both staff costs and external spend. The table below includes a provision of £1.51m based on an illustrative 5% saving on both non-management staff and accessible external spend, as explained in the Commercial Case.

Option 2 - Devon			
Benefit (£'000s per annum)		0-3 years	> 3 years
Savings		570	2,480
Payback (years)	1 - 2.5		

The Commercial Case alludes to the potential of extending the footprint of the Torbay and South Devon ICO, a possibility that would be assisted by a partnership between Torbay and Devon County Council. A crude and simplistic extrapolation of cost and performance (using 2016/17 Delayed Transfers of Care (DTOCS) figures as a proxy), based on the figures in the table below, would suggest value could be gained from such a decision.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

Will the saving impact services?

The savings journey for Plymouth has been very similar to Torbay's in terms of scale achieved. It is difficult to assess any difference in impact upon service coverage and quality across the two organisations although the indications are that Plymouth are managing better, with the relative states of Children's Services being an indicator of this.

The savings described above should not negatively impact upon service delivery, subject to the following:

- new organisational design accommodating at least the same level of user demand and the joint management resource being successful in channelling demand towards lower cost service options.

Option 2 – shared arrangement with Devon

Local authority area	Total DTOCs 2016/17	No. of adults 65 and over	Adult care budget* (£'000s 2017/18)	DTOCs % of population	Adult care spend per capita (£)
Torbay	2,519	34,305	42,582	6%	1,241
Devon	57,276	189,568	215,276	27%	1,136
Plymouth	16,265	46,383	77,339	21%	1,667
*Net of income					

This would also give rise to the potential to exploit significant synergies and economies of scale in “back office” infrastructure and processes across the health and care system in Devon and Torbay.

Will the saving impact services?

In the absence of independent inspection of past performance through CPA type work, it is difficult to make any definitive statements as to how funding cuts have impacted Devon's services to date and whether the partnership proposals will impact on services across both areas in the future. Devon is confident that it can work in partnership with Torbay to successfully manage the transition and the demands that will bring, and manage out efficiencies over the longer term.

The savings referred to above should not impact upon service delivery, subject to the following:

- new organisational design accommodating at least the same level of user demand and the joint management resource being successful in channelling demand towards lower cost service options.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

- connectivity and ICT supporting increasing digitalisation of services and reducing the need for workstations and physical customer access.
- specifications for goods and services not being adjusted down in terms of quality and/or frequency.

Will there be a cost of achieving the saving?

The Management Case describes the implementation resources that will be required but without greater definition of the type of partnership arrangement that will be sought, the cost is difficult to quantify. The staff saving may be achieved through a shared arrangement and may involve redundancies but, this would be dependent upon each organisations approach to the process and timescales.

The property savings would involve capital expenditure to re-configure the satellite office space of partners (NHS, County and bordering district councils) and investment may also be required to make the surplus asset marketable for disposal. There will also be an occupancy cost for the new arrangements which is not factored within the savings presented above. Overall, there will clearly need to be cost expended to achieve savings and the profile of the two is important for Torbay's financial position.

However, Torbay has confirmed that there are no capital projects on hold as a consequence of its revenue budget position, (evidenced by recent £200m borrowing for a commercial property fund and a housing development company) so there should be no broader economic opportunity cost of this invest to save approach.

Option 2 – shared arrangement with Devon

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However, Torbay has confirmed that there are no capital projects on hold as a consequence of its revenue budget position, (evidenced by recent £200m borrowing for a commercial property fund and a housing development company) so there should be no broader economic opportunity cost of this invest to save approach.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

Will the partnership improve services?

If Plymouth decide they are willing to take on operational responsibility for Children’s Services, it will mean, given the scale and nature of that service, that Plymouth will exert a significant management influence over Torbay (approximately 40% of Torbay staff work within services supporting children and education). In the other main Tier 1 areas, the possibilities of merging or aligning the two ICOs appear remote, given the likelihood of NHS establishing two accountable care organisations across the STP footprint, with Torbay and Plymouth destined to be in separate ones. A crude and simplistic extrapolation of cost and performance, based on the figures in the table below, would suggest that the existing Torbay model is outperforming the Plymouth model in every respect.

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Local authority area	Total DTOCs 2016/17	No. of adults 65 and over	Adult care budget* (£'000s 2017/18)	DTOCs % of population	Adult care spend per capita (£)
Torbay	2,519	34,305	42,582	6%	1,241
Plymouth	16,265	46,383	77,339	21%	1,667
*Net of income					

There may be benefits from joining up work in relation to public health commissioning, given the similarity in public health issues and although much of the remaining Tier 1 service delivery for Torbay is locked into the TOR2 venture and other externalised relationships, Plymouth does have commercial contract experience that could prove valuable for Torbay over the near term.

Option 2 – shared arrangement with Devon

Will the partnership improve services?

There is the potential, through this partnership, to drive increased health and care integration, as described above. There is a good history of joint working between Torbay and the County on highways and transport issues. The recent Growth Fund programme of improvement in local train stations as well as the major link road investment is evidence of this. Side agreements are in place for cross boundary highway issues e.g. gritting, and joint procurements have taken place for specialist aspects of highway spend.

The main benefit is likely to be one of efficiency and resilience, with the county having greater ability, due to size and reach, to provide specialist resource such as traffic light engineers and traffic managers. The key to extracting synergies will be ensuring consistency in service specifications (grass cutting, streetlight policies) over time i.e. not frequently changing.

At Tier 2 level, a partnership with South Hams and West Devon would mean subscribing to their particular operating model which could lead to disruption during the transition period as it is different to Torbay’s, as described in the Commercial Case. The model would aim to deliver cash efficiencies around transactional services, e.g. Revenues and Benefits, as well as aiming to provide an improved user experience.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

The savings generated from partnering could go some way to protecting those discretionary but valued Tier 2 services although the projected scale of these, relative to the overall savings challenge facing Torbay, is minimal. Plymouth believe there is scope to look at services on an individual basis e.g. Planning, which may not yield cash savings but could lead to increased productivity, capacity and overall improved service for users.

Will additional income be generated?

The main sources of additional income from a partnership could be in terms of commercial ventures, with pertinent but untested examples being Delt and possibly the airshow, and improved collection rates over NNDR and council tax. The collection rates are linked to a number of factors, more external than internal but these could be value looking at respective approaches and process.

The establishment of a fully parished Torbay does offer an opportunity to generate additional income through the precept mechanism, as explained in the Financial Case.

Option 2 – shared arrangement with Devon

A decision to expand the town and parish council model could be a vehicle through which a greater ethos of local support and volunteering could be generated, thus developing a distinctive and valuable increase in community asset investment for Torbay. Devon County Council has substantial experience of working with this model of local government, with 357 parish councils operating across the county.

Will additional income be generated?

There are no new or additional sources of income that are apparent from a partnership between Torbay and Devon County Council. The establishment of a fully parished Torbay does offer an opportunity to generate additional income through the precept mechanism, as explained in the Financial Case.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

What is the opportunity cost of that income?

The impact is largely re-distributive. In terms of Delt, it would involve funds switching from the NHS into local government and the outcome would depend on the implications for front-line services and the multiplier and economic benefit associated with that spend. For other commercial ventures such as an airshow, its success will involve diverting disposable leisure spend and business marketing budgets from elsewhere which could be to the detriment of events in other places. The increase in tax revenue collection is also re-distributive as higher than expected NNDR collection lowers the burden on council tax payers. The extent to which that results in a net economic benefit depends on the relative multiplier impact of spending by business and spending by residents.

The opportunity cost of raising additional revenue through the Town and Parish Council precepts effectively represents the economic merits of taxation and the much studied concept of 'public goods'. For Torbay, the decision would be a political one based on strength of argument and beliefs in relation to those theories.

Option 2 – shared arrangement with Devon

What is the opportunity cost of that income?

The opportunity cost of raising additional revenue through the Town and Parish Council precepts effectively represents the economic merits of taxation and the much studied concept of 'public goods'. For Torbay, the decision would be a political one based on strength of argument and beliefs in relation to those theories.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

Will additional investment be generated?

Plymouth confirmed that it does not have capacity to extend managerial support to supporting the strategic economic development of Torbay, a role largely performed by the TDA and which would fall outside the scope of the partnership.

Therefore, it is difficult, on that basis, to foresee a direct causal link between the establishment of a partnership with Plymouth and an increase in the economic performance of Torbay. However, the collaboration in developing the PET Growth Corridor proposal and closer working on the themes within it should be an advantage of a more formal partnership relationship between the two councils.

Also, there are a range of factors that contribute to economic performance, most of which are linked to services that Plymouth would share managerial responsibility e.g.

- Early years development – Children's Services
- Labour market productivity – Adult's Services
- Physical connectivity – Highways and Transport

Option 2 – shared arrangement with Devon

Will additional investment be generated?

Investment and local economy responsibility would be retained by Torbay Council. There is likely to be a stronger alliance between the county council and Torbay under this arrangement but major infrastructure investment is determined at LEP level. In terms of promoting Torbay to inward investors, the TDA would regard itself as remaining the primary lead for this role.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

The following indicators taken from the CBI Regional Dashboards for Plymouth and Torbay provide useful insights to the relative position on important aspects of economic performance.

	Torbay	Plymouth
Economic		
GVA per head (£)	15,534	19,864
Participation rate (%)	76%	77%
Employment rate (%)	71%	73%
Average hours worked per week (hours per week)	29.3	25.1
Productivity		
GVA per head (percentile)	29th	43rd
GVA per hour (£)	26.72	27.79
Education and skills		
School outcomes (percentile)	30th	7th
Business interaction with schools (percentile)	48th	48th
In-work training (percentile)	70th	63rd
Share of graduates in the workforce (percentile)	4th	23rd
Business practices		
Business growth aspiration (percentile)	68th	13th
Presence of high growth firms (percentile)	53rd	63rd
Exporting propensity (percentile)	65th	65th
Turnover from innovative products (percentile)	-	-
Infrastructure and connectivity		
Size of economic area (percentile)	13th	13th
Mobile connectivity - 4G (percentile)	52nd	62nd

Option 2 – shared arrangement with Devon

The economic agendas of Torbay and Devon have some compatibility but also key differences too. The following indicators taken from the CBI Regional Dashboards for Devon and Torbay provide a degree of insight to the relative position on important aspects of economic performance but clearly they disguise a multitude of factors apparent at more localised levels within districts across the county.

	Torbay	Devon
Economic		
GVA per head (£)	15,534	20,146
Participation rate (%)	76%	80%
Employment rate (%)	71%	77%
Average hours worked per week (hours per week)	29.3	31.3
Productivity		
GVA per head (percentile)	29th	31st
GVA per hour (£)	26.72	26.83
Education and skills		
School outcomes (percentile)	30th	84th
Business interaction with schools (percentile)	48th	48th
In-work training (percentile)	70th	30th
Share of graduates in the workforce (percentile)	4th	68th
Business practices		
Business growth aspiration (percentile)	68th	72nd
Presence of high growth firms (percentile)	53rd	74th
Exporting propensity (percentile)	65th	84th
Turnover from innovative products (percentile)	-	-
Infrastructure and connectivity		
Size of economic area (percentile)	13th	15th
Mobile connectivity - 4G (percentile)	52nd	9th
Additional population within 30-45 mins commute time	1,243,710	1,243,710

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

The figures reflect the different economic nature of the two areas but there could be potential synergies in working together around school performance and helping Torbay develop an offer that is attractive to graduates, in turn improving GVA and productivity, while also improving the relative size of the working age population.

The table below shows the aging demographic difference between Torbay and Plymouth which not only impacts public service demand but also the nature of spend and associated retail and leisure offers attracted to the area.

	Plymouth		Torbay	
ONS 2015 (October 2016 release)				
No. of children (18 and under)	55,220	21%	26,745	20%
No. of adults 65 and over	46,383	18%	34,305	26%
Total population	262,712		133,373	

As regards physical connectivity, there is no evidence to suggest that a tie up with Plymouth will have either a positive or negative impact. Transport investment decisions are taken at SW LEP level by the Local Transport Board and these are made based on webTAG appraisals. Torbay recently benefitted from major road investment and is unlikely to be seeking or requiring any more major funding in the short – medium term.

Option 2 – shared arrangement with Devon

In general, the Devon economic challenge relates to; the rural nature of the county; connectivity challenges facing businesses, particularly digital; and the retention of a sustainable farming industry.

There could be additional capacity offered by Devon to help Torbay respond to requests for applications for various pots of ring fenced grants in connection with pilots and initiatives that tend to emerge from Government.

3. Economic Case (cont)

Option 1 – shared arrangement with Plymouth

What are the risks and optimism bias that need to be reflected in the analysis?

The key risks in respect of the saving sources are:

- prospect of organisational change reducing productivity and making staff retention and recruitment harder
- reduction in the corporate ability to achieve existing savings targets
- state of commercial property market making it difficult to achieve disposal and/or rental values
- cost rises for goods and services targeted for procurement savings

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It has not been possible to comprehensively quantify the additional savings, income and investment opportunities that could arise from adopting a partnership arrangement with Plymouth. From an optimism bias perspective, the prospect of a net economic benefit arising from the property or procurement opportunities is unlikely. There will be savings that can be achieved from staffing but these will be offset by transition costs in terms of redundancy and organisational change implementation. A payback of one year is typically the rule of thumb measure but this will depend upon the factors described in the Management Case with regard to the speed and delivery of the partnership.

Option 2 – shared arrangement with Devon

What are the risks and optimism bias that need to be reflected in the analysis?

The key risks in respect of the saving sources are:

- prospect of organisational change reducing productivity and making staff retention and recruitment harder
- reduction in the corporate ability to achieve existing savings targets
- state of commercial property market making it difficult to achieve disposal and/or rental values.
- cost rises for goods and services targeted for procurement savings

It has not been possible to comprehensively quantify the additional savings, income and investment opportunities that could arise from adopting a partnership arrangement with Devon. From an optimism bias perspective, the prospect of a net economic benefit arising from the property or procurement opportunities should be considered as unlikely. There will be savings that can be achieved from staffing but these will be offset by transition costs in terms of redundancy and organisational change implementation. A payback of one year is typically the rule of thumb measure but this will depend upon the factors described in the Management Case with regard to the speed and delivery of the partnership.

4. Commercial Case

This section analyses the key factors and actions that will contribute to minimising the costs identified in the economic case and maximising the benefits.

Option 1 – shared arrangement with Plymouth

Staffing and organisational design

- Approach is likely to be an extension of the model being contemplated for Children's Services – "management insertion", based upon the Hampshire and Isle of Wight arrangement.
- It will need to be achieved at 'net nil cost' to Plymouth.
- A review of all services and roles in Torbay excluding those concerned with Children's or Education Services would have to be undertaken as it would need to in partner organisations to ensure that economic benefits of a shared workforce are realised. Initially this would consider Management arrangements for the shared workforce.
- It would be anticipated, given sector examples elsewhere, that since the shared arrangements at management level had been established and normalised, then a wider review of the services and workforce could be undertaken across both organisations.

Option 2 – shared arrangement with Devon

Staffing and organisational design

- Preliminary consideration has been given to this with the long term aim of having one head of paid service, a senior leadership team role, responsible for the Torbay area, and consideration would be given to the assimilation of Torbay management responsibility for Tier 1 services by the existing Devon leadership team. There is no expectation or driver in terms of savings but a belief that a longer term synergy and value case can be developed through the partnership, particularly in respect of retention, recruitment, flexibility and scale.
- A review of all services and roles in Torbay excluding those concerned with Children's or Education Services would have to be undertaken as it would need to in partner organisations to ensure that economic benefits of a shared workforce are realised. Initially this would consider Management arrangements for the shared workforce.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

- Torbay could choose to expand the Town Council model and use the precept mechanism to preserve more locally sensitive services such as:
 - Libraries
 - Public conveniences
 - Public realm maintenance
- It would need to explore how an ethos of greater voluntary and community capacity could be injected into these services to minimise the additional council tax burden, as illustrated in the Financial Case. There would need to be agreement about common service standards and, in reality, the retention of professional delivery staff at Tier 1 and Tier 2 level, as applicable, with the Town Councils acting in a constrained commissioner capacity.

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Option 2 – shared arrangement with Devon

- If Torbay Council pursued a shared arrangement with South Hams and West Devon Councils for Tier 2 services, shorter term potential exists with respect to a collaboration around waste collection service as well as the re-procurement of ICT services. Both of these would present challenges to be worked through for Torbay in terms of the status and position of the TOR2 contract for the former, and the back office design for a split Tier 1 and Tier 2 service model.
- The council is also in discussions with Devon in regards to an ICT partnership with Scomis, who do support services at Tier 2 level for Torridge, but clearly how this could interface with South Hams and West Devon's intentions would need to be established.
- Initial thoughts on sharing broader Tier 2 services in the longer term recognise the different operating model that exists within South Hams and West Devon i.e. role division across generic case managers and specialists; along with the on-going work concerning a formal merger. The current preference would be for Torbay to commission services but this would present TUPE issues and costs that have yet to be fully thought through by either parties.
- It would be anticipated, given sector examples elsewhere, that once the shared arrangements at management level had been established and normalised, then a wider review of the services and workforce could be undertaken across both organisations.
- Torbay could choose to expand the Town Council model and use the precept mechanism to preserve more locally sensitive services such as:
 - Libraries
 - Public conveniences
 - Public realm maintenance

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

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Option 2 – shared arrangement with Devon

- It would be necessary to explore how an ethos of greater voluntary and community capacity could be injected into these services to minimise the additional council tax burden, as illustrated in the Financial Case. There would need to be agreement about common service standards and, in reality, the retention of professional delivery staff at Tier 1 and Tier 2 level, as applicable, with the Town Councils acting in a constrained commissioner capacity.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

External spend

- Torbay Council's budget projects defraying £220m to third parties but only 7% of this is spending which could be targeted for procurement and contract management savings as shown by the table below.
- A review of Plymouth contract spend has not identified any obvious areas where material savings could be achieved from combining spending power outside of the categories accounted for in the table below. There are suppliers and contractors that are common to both authorities in diverse areas, ranging from concessionary travel pass production to park maintenance, and aspects of spend which should be relatively easy to combine and agree common specifications but this is unlikely to yield savings of any notable significance.

Total external spend	220,284
Less:	
DSG	46,859
Housing benefit	66,507
Public health	10,105
ICO	39,710
TOR2	12,404
Children's Services	16,865
Concessionary fares	4,262
Harbour	2,187
TDA	1,288
PFI	3,987
Other related parties	999
Leisure	240
	15,112

Option 2 – shared arrangement with Devon

External spend

Torbay Council's budget projects defraying £220m to third parties but only 7% of this is spending which could be targeted for procurement and contract management savings as shown by the table below.

Total external spend	220,284
Less:	
DSG	46,859
Housing benefit	66,507
Public health	10,105
ICO	39,710
TOR2	12,404
Children's Services	16,865
Concessionary fares	4,262
Harbour	2,187
TDA	1,288
PFI	3,987
Other related parties	999
Leisure	240
	15,112

A review of Devon contract spend has not identified any obvious areas where material savings could be achieved from combining spending power outside of the categories accounted for in the table below. There are suppliers and contractors that are common to both authorities in diverse areas ranging from office cleaning to mechanical plant and equipment maintenance and aspects of spend which should be relatively easy to combine and agree common specifications but this is unlikely to yield savings of any notable significance.

As noted in the earlier section around organisational design, South Hams and West Devon Councils are seeking to jointly procure a new waste collection service for a contract start date of 1st April 2019 and this is a contract that Torbay Council could participate in once its existing arrangement within the TOR2 venture expires.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

Existing saving and income generation programmes

Torbay Council's saving programme over the three year period 2018/19 - 2020/21 is targeting total savings of £14.3m to be generated from a range of initiatives.

Plymouth City Council is targeting savings of £15.1m over the same period with some of the initiatives common to both councils as follows:

- expanding investment portfolio
- increasing commercial events
- service efficiencies
- maximising collection rates for NNDR and Council Tax

Torbay's market testing of some of its services has shown that they are under-funded relative to what potential partners would be willing to charge to operate them on Torbay's behalf. For example, Plymouth has previously identified the need for an upfront investment of £1m and additional recurring spend of £300k to ensure a reliable and compliant ICT service. It is therefore unlikely that savings of any significance could be anticipated from joint working on service reviews. Plymouth has successfully grown its investment portfolio and is currently working on the Mayflower 2020 celebrations which are examples of relevant activity that will be generating organisational expertise that could be shared for the benefit of Torbay.

The collection rates are linked to a number of factors, more external than internal but there could be value looking at respective approaches and process.

Option 2 – shared arrangement with Devon

Existing saving and income generation programmes

Torbay Council's saving programme over the three year period 2018/19 - 2020/21 is targeting total savings of £14.3m to be generated from a range of initiatives.

Devon County Council is targeting savings of £25.5m over the same period.

There is little, if any, practical alignment between the two councils approaches to savings which Torbay could benefit from. Devon is starting an efficiency programme with Vanguard which is seeking to re-design organisational delivery around citizens needs. A tie up with Torbay raises the question as to how its operational processes will align with the changes to ways of working that the County is beginning to adopt as part of its change programme. In terms of income generation and commercial ventures, this is not typically a pedigree feature of county councils beyond the realms of fees and charges. Hence, it is difficult to identify a benefit in this area arising from the partnership.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

Property

Torbay has rationalised its corporate office estate such that it now operates out of two adjacent town centre buildings in Torquay. It has plans to reconfigure one of these buildings (Tor Hill House) to free up a floor for rent to a third party.

A high level review of the space within both office buildings, set against modern workspace standards and an assessment of workstation need, indicates that there could be potential to consolidate the council's office accommodation into one building, subject to the following being achievable;

1. Reconfiguring neighbouring council and NHS office premises to accommodate staff from Adults, Children's and Public Health services
2. Increasing deployment of remote and flexible working.

Notwithstanding the facts that i) Devon broadband connectivity to support remote and flexible working ranks as 9th percentile in the country; ii) the potential visible property savings would be less than £0.5m per annum; and iii) the feasibility and cost of accessing and reconfiguring alternative space have not been assessed, it is difficult to see how the inclusion of Plymouth's estate into the equation could bring benefit to such a project. However, given it is likely to have management control over approximately 40% of Torbay staff should it agree to take operational responsibility for Children's Services, it would be a major stakeholder in any decision.

Option 2 – shared arrangement with Devon

Property

Torbay has rationalised its corporate office estate such that it now operates out of two adjacent town centre buildings in Torquay. It has plans to reconfigure one of these buildings (Tor Hill House) to free up a floor for rent to a third party.

A high level review of the space within both office buildings, set against modern workspace standards and an assessment of workstation need, indicates that there could be potential to consolidate the council's office accommodation into one building, subject to the following being achievable;

1. Reconfiguring neighbouring council and NHS office premises to accommodate staff from Adults, Children's and Public Health services
2. Increasing deployment of remote and flexible working.

There are obvious challenges that potentially undermine such a proposal i) Devon broadband connectivity to support remote and flexible working ranks as 9th percentile in the country; ii) 40% of Torbay staff would be operationally controlled by Plymouth City Council if it agrees to take operational responsibility for Children's Services; iii) the potential visible property savings would be less than £0.5m per annum; iv) the feasibility and cost of accessing and reconfiguring alternative space have not been assessed. Nevertheless, the implications of access to county property in South Hams and Teignbridge as well as the potential Tier 2 sharing arrangement with South Hams would warrant further investigation.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

Integration challenges

- Our review of terms and conditions across both authorities has identified that each have grading systems, salary scales, terms, conditions and benefits, and consideration would be given to harmonization at some point which would be subject to each council's organisational change processes.
- Clearly the due-diligence work that is on-going with respect to Children's Services would represent advantageous ground preparation for a wider shared arrangement but the capacity of Plymouth to assimilate responsibility for such a major service while also dealing with its own organisational challenges, particular around resourcing, raise concern as to whether it has the capacity to pursue a wider partnership arrangement.
- Plymouth has established an ICO, similar to the one in Torbay and South Devon, called Live Well South West, featuring integrated delivery of community health and care services. It differs from the Torbay ICO in terms of hospital services being outside it and mental health services within it.

Option 2 – shared arrangement with Devon

Integration challenges

- Our review of terms and conditions across both authorities has identified that each have grading systems, salary scales, terms, conditions and benefits and consideration would be given to harmonization at some point which would be subject to each council's organisational change processes.
- The biggest aspect of service integration in local public services at present is being driven by the pooling of health and social care budgets. Torbay has an established model of integrated health and care delivery which does extend into parts of the county by virtue of the CCG encompassing South Devon. The county is working towards pooled budgets with its two CCGs (North East West, and Torbay and South Devon) and the adoption of the county wide Sustainable Transformation Plan (STP) is likely to see two accountable care organisations (ACO) established, with Torbay featuring in the ACO for much of the county footprint. This presents an opportunity to extend the Torbay and South Devon ICO model across wider Devon, subject to a range of other factors including public and political support.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

- Joint working practices and accommodation sharing are core features of the model but although council staff have transferred under TUPE into the ICO, health staff remain NHS employees. This differs from the Torbay model where council staff transferred into the South Devon and Torbay Foundation Trust and are now NHS employees. Both areas are on their way to adopting the principles of an Accountable Care Organisation (ACOs) although the likely outcome of the current consultation is to see two ACOs across Devon, with Plymouth and Torbay destined to be in different ones. Hence, the potential aggregation of Live Well South West with Torbay's ICO does not look permissible. Despite Torbay's adult service delivery having been externalised within the ICO, a tie up could see Plymouth bringing experience and influence over commissioning and also application of public health funding.
- Plymouth City Council is a joint and equal owner of DELT which provides ICT and other back office services to itself, its other owner (North East West Devon CCG) and third party clients. It has ambitious growth plans and undertook the earlier referred to assessment of Torbay's ICT service (which identified the funding and investment needs) as part of work exploring the potential to take on the service. If this opportunity is pursued, it is likely to involve relevant Torbay staff transferring under TUPE into a specially formed Delt subsidiary company, which would be 50% owned by Torbay. The formal involvement of Torbay in Delt would enhance the influence and trading potential of the Delt group, particularly looking towards the development of ACOs and the need for back office integration across those.

Option 2 – shared arrangement with Devon

- The transfer of Children's Services to Plymouth would create the potential for an unprecedented triangulated management relationship involving Torbay, Devon and Plymouth. This is not necessarily an impediment and could be advantageous to all three local authorities, encouraging closer working relationships, sharing of best practice and aligning with the single STP footprint for health. As referenced previously, the current view is that NHS England is seeking two accountable care systems for the Devon health economy which would cut across this working model for Children's Services but this is not considered an insurmountable issue.
- As previously mentioned, Devon is undertaking a systems review of its organisation and this will mean a change in working practices that a tie up with Torbay will need to integrate with over time.
- The county operates a 60 seat contact centre, based in Tiverton, which deals with the majority of incoming calls from the public for council services. This includes, but is not limited to; Devon Highways, Adult and Children's Social Care, Registrars and General Enquiries. This will be a fundamental feature of the systems review and would also present an integration challenge with Torbay's own call centre.
- There will be work required to harmonise systems across the services, with little if any compatibility in the service where more obvious shorter term synergy would be expected i.e. Highways and Transport.
- The interface involved in a tie up for ICT with Scomis and the intentions of South Hams and West Devon in regards to their ICT does present obvious conflict and compatibility issues which would need to be worked through.

4. Commercial Case (cont)

Option 1 – shared arrangement with Plymouth

Attracting investment

- In terms of promoting Torbay to inward investors, the Torbay Development Agency (TDA) is the primary agency for this activity. It is a wholly owned company of the council and its role would not be expected to change as a consequence of a partnership with Plymouth.
- Plymouth previously had an urban regeneration company (URC), as a legacy of the Regional Development Agency, but cut support and brought its services in-house. Given this, it is unlikely to pro-actively support the activity of the TDA at a management level.

Option 2 – shared arrangement with Devon

- Linked to the issue of ICT, there has not been thought given yet as to 'back office' intentions and the changes required for separate partnerships at Tier 1 and Tier 2 level. It will not be straightforward to delineate between Tier 1 and 2 as these will cut across current Torbay organisational structures. Resolving apportionment of corporate services in terms of both practical delivery and cost apportionment will also be challenging with Torbay needing to support itself, while possibly moving some resource into partnered arrangements.
- The investment policies of Torbay and Devon are distinctly different at the moment, albeit that the investment activities of Devon are constrained by virtue of it being a Tier 1 authority. Torbay has recently increased significantly its external debt portfolio while Devon prefers to invest using accumulated cash reserves.

Attracting investment

- In terms of promoting Torbay to inward investors, the Torbay Development Agency (TDA) is the primary agency for this activity. It is a wholly owned company of the council and its role would not be expected to change as a consequence of a partnership with Devon at Tier 1 level or South Hams and West Devon at Tier 2 level.
- There could be additional capacity offered by Devon to help Torbay respond to requests for applications for various pots of ring fenced grants in connection with pilots and initiatives that tend to emerge from Government.

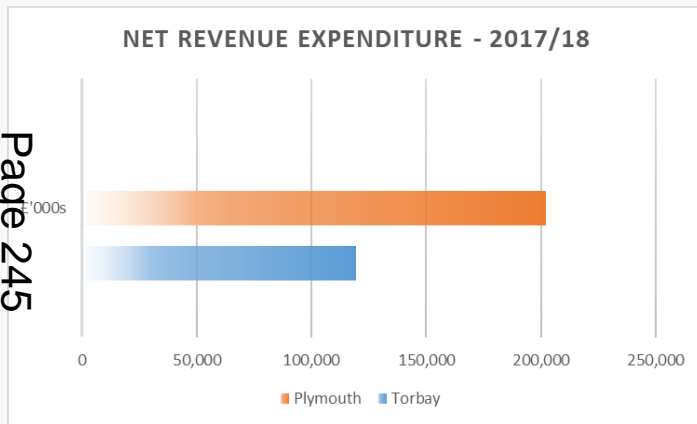
5. Financial Case

This section profiles the financial costs and revenue benefits of each option to ascertain that each option is viable and affordable.

Option 1 – shared arrangement with Plymouth

Medium term financial position

The graph below illustrates the relative financial size of Plymouth to Torbay by showing the respective net revenue expenditure (NRE) of each council for 2017/18.

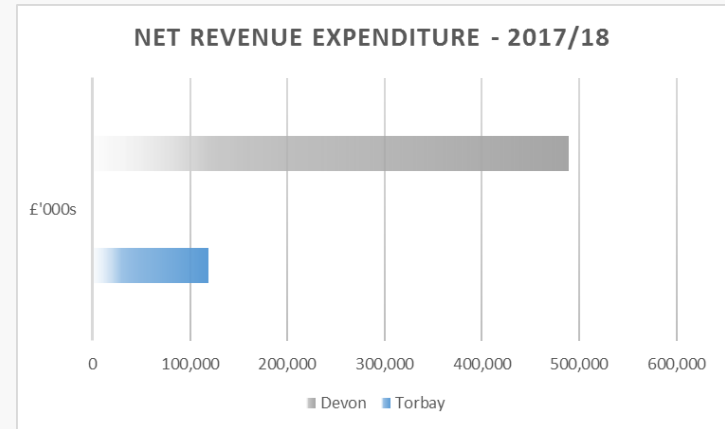


Although Torbay is approximately 60% of Plymouth in budget terms, the scale and profile of savings journey it has been on since 2011 has been similar, as shown in the graph below. The impact of Government cuts to revenue support grant have been compounded by the loss of council tax freeze grant which compensated for Torbay's decision to hold council tax levels and which now mean they have the lowest Band D rate across the county (£1383) and 2% lower than Plymouth's at £1407.

Option 2 – shared arrangement with Devon

Medium term financial position

The graph below illustrates the relative financial size of Devon to Torbay by showing the respective net revenue expenditure (NRE) of each council for 2017/18.

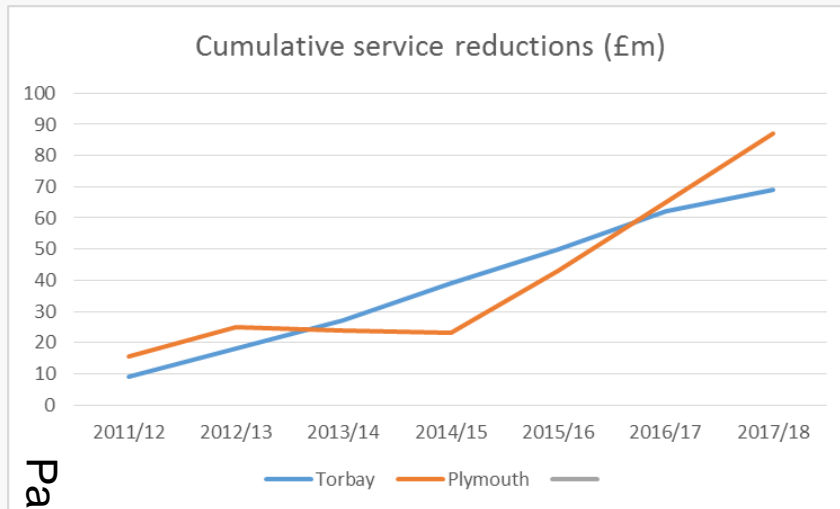


Given that Torbay is approximately a quarter of the size of Devon in budget terms, the graph below demonstrates a reasonably proportionate share of the savings requirement being borne by both councils since the Government's austerity funding programme commenced.

The impact of Government cuts to revenue support grant have been compounded by the loss of council tax freeze grant which compensated for Torbay's decision to hold council tax levels and which now mean they have the lowest Band D rate across the county (£1383) and 3% lower than neighbouring residents in South Hams at £1423.

5. Financial Case (cont)

Option 1 – shared arrangement with Plymouth

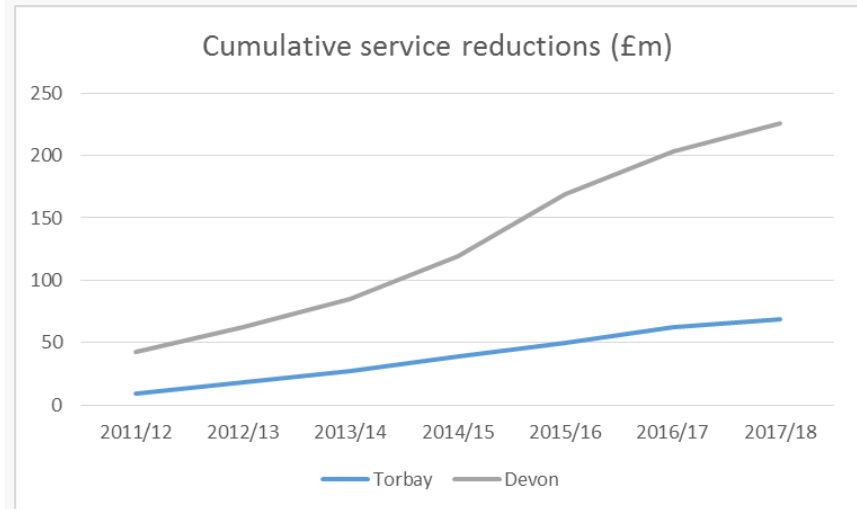


The position looking forward through this year and over the subsequent three years is very similar too, with both councils facing the requirement for further significant cuts.

The table below shows the projected annual savings needed to be found and sums them to a per household basis.

Annual saving requirement (£'000s)						
	Total (£'000s)	Total per household (£)	2017/18	2018/19	2019/20	2020/21
Torbay	26,400	599	9,000	9,600	6,000	1,800
Plymouth	43,412	613	18,231	7,980	11,334	5,867

Option 2 – shared arrangement with Devon



Looking forward, there are financial challenges facing both councils with Devon requiring £56m of savings over the four year period starting 1 April 2017.

The table below shows the profile of the annual savings required for both councils and sums them to a per household basis.

Annual saving requirement (£'000s)						
	Total (£'000s)	Total per household (£)	2017/18	2018/19	2019/20	2020/21
Torbay	26,400	599	9,000	9,600	6,000	1,800
Devon*	56,322	199	7,077	26,902	13,239	9,103

*adjusted for new adult care monies announced in March 2017 budget but not reflected in Devon MTFS

5. Financial Case (cont)

Option 1 – shared arrangement with Plymouth

Hence, council tax payers of both Torbay and Plymouth are facing similar reductions in resources for services.

Option 2 – shared arrangement with Devon

It is clear that the relative challenge for Torbay is more difficult, with the savings required being approximately half those of Devon's despite it being a quarter of the size. In order to accurately compare the resource reduction being faced by residents of Torbay compared to the wider county, the £199 per household for Devon needs to be combined with the same metric for district councils. The table below shows the same analysis for South Hams and West Devon councils and illustrates that even accounting for the savings required at Tier 2 level, the total saving per Torbay households will be more than double that faced by adjoining residents in South Hams for example.

Annual saving requirement (£'000s)						
	Total (£'000s)	Total per household (£)	2017/18	2018/19	2019/20	2020/21
South Hams and West Devon	3,867	67	1,306	1,634	548	379

5. Financial Case (cont)

Option 1 – shared arrangement with Plymouth

Impact of savings and costs identified in the Commercial Case

The most definable and quantifiable savings opportunity identified in the Commercial Case was from staff savings with a long term, upper range estimate of £610k per annum cited as possible.

Option 1 - Plymouth			
Savings (£'000s per annum)		0-3 years	> 3 years
	Sharing Management	610	610
	Wider organisational change		750
	Property		400
	Contracts		760
		610	2,520
Costs (£'000s one-off)			
	Redundancy (median estimate)	400	
	Implementation	TBC	
	Payback (years)	1 - 2.5	

This would need to be shared across both organisations and if this was done according to relative NRE, it would mean Torbay benefiting from an annual saving of £244k and Plymouth benefitting from the rest (£366k).

The approach to sharing will need to be worked through and negotiated to both partners satisfaction as well as their respective external auditors to ensure no issues of cross-subsidisation arise.

If assuming a 1st April 2019 operational start date following full implementation and benefits realisation, the shared arrangement would account for approximately 1.5% of the savings challenge facing Torbay and Plymouth over the three years shown.

Option 2 – shared arrangement with Devon

Impact of savings and costs identified in the Commercial Case

The most definable and quantifiable savings opportunity identified in the Commercial Case was from staff savings with a long term, upper range estimate of £480k per annum cited as possible at Tier 1 level and c. £90k at Tier 2 level.

Option 2 - Devon			
Savings (£'000s per annum)		0-3 years	> 3 years
	Sharing Management (Devon)	480	480
	Sharing Management (SHWD)	90	90
	Wider organisational change		750
	Property		400
	Contracts		760
		570	2,480
Costs (£'000s one-off)			
	Redundancy (median estimate)	400	
	Implementation	TBC	
	Payback (years)	1 - 2.5	

This would need to be shared with partner organisations and if this was done according to relative NRE, it would mean Torbay benefiting from an annual saving of £100k at Tier 1 level and £60k at Tier 2 level.

The approach to sharing will need to be worked through and negotiated to all partners satisfaction as well as their respective external auditors to ensure no issues of cross-subsidisation arise.

If assuming a 1st April 2019 operational start date following full implementation and benefits realisation, the shared arrangement would account for less than 1% of the savings challenge faced by Torbay.

5. Financial Case (cont)

Option 1 – shared arrangement with Plymouth

Option 1 - contribution to saving challenge					
	Savings required (£'000s)	Total	2018/19	2019/20	2020/21
Torbay		17,400	9,600	6,000	1,800
Plymouth		25,181	7,980	11,334	5,867
	Total	42,581	17,580	17,334	7,667
Management savings (£'000s)					
Torbay		244	0	244	0
Plymouth		366	0	366	0
	Total	610	0	610	0
Contribution to savings required (%)					
Torbay		1.40%			
Plymouth		1.50%			
	Total	1.40%			

Sensitivity testing and risk

Given the limited scale of saving relative to the wider target and also the overall NRE budget of each authority, sensitivity testing of the saving metric is not considered useful. It is more worthwhile focussing on the potential payback range and what this could mean for Torbay's reserve position.

Option 2 – shared arrangement with Devon

Option 2 - contribution to saving challenge					
	Savings required (£'000s)	Total	2018/19	2019/20	2020/21
Torbay		17,400	9,600	6,000	1,800
Devon		49,245	26,902	13,239	9,103
South Hams and West Devon		2,561	1,634	548	379
	Total	69,205	38,136	19,787	11,282
Management savings (£'000s)					
Torbay		160	0	160	0
Devon		380	0	380	0
South Hams and West Devon		30	0	30	0
	Total	570	0	570	0
Contribution to savings required (%)					
Torbay		0.90%			
Plymouth		0.80%			
South Hams and West Devon		1.20%			
	Total	0.80%			

Sensitivity testing and risk

Given the limited scale of saving relative to the wider target and also the overall NRE budget of each authority, sensitivity testing of the saving metric is not considered useful. It is more worthwhile focussing on the potential payback range and what this could mean for Torbay's reserve position.

5. Financial Case (cont)

Option 1 – shared arrangement with Plymouth

Torbay's projected reserve position for the year ending 31 March 2018 and subsequent two years is shown below.

		2,017	2,018	2,019
Reserves at y/e	£'000s	1	2	3
General fund		4,647	4,647	4,647
Other		12,014	10,852	11,291

Given a payback return of one year and assuming 1st April 2019 as the first year of benefit with implementation costs being incurred during the previous 12 months, the closing reserve position for 2019, as shown above, would be unaffected. If the programme slipped such that the investment cost took longer to repay, the reserve position would be lower than shown by the amount of saving unrealised in 2019.

The sufficiency of reserves held by Torbay is a recognised and well documented issue and with a projected £17.4m of savings required over the three year period for which £15.9m of reserves are expected to remain, the financial position of the council is delicately poised. This highlights that it is not potential slippage of a partnership with Plymouth where the main risk lies, it is the indirect impact of pursuing the partnership on achieving the savings that the council needs to find. Although the saving benefits of a partnership would be expected to increase over the long term, a contribution of 2% over the four year period being considered illustrates where the balance of focus should be. Plymouth has yet to study Torbay's transformation and savings programme to identify how it could help reduce deliverability risk. However, as noted earlier, Plymouth need to find a similar level of savings to Torbay which could be seen as both an advantage, in terms of trading techniques and solutions, but also a disadvantage in terms of being unable to extend any genuine, prioritised support to Torbay in the short to medium term.

Option 2 – shared arrangement with Devon

Torbay's projected reserve position for the year ending 31 March 2018 and subsequent two years is shown below.

		2,017	2,018	2,019
Reserves at y/e	£'000s	1	2	3
General fund		4,647	4,647	4,647
Other		12,014	10,852	11,291

Given a payback return of one year and assuming 1st April 2019 as the first year of benefit with implementation costs being incurred during the previous 12 months, the closing reserve position for 2019, as shown above, would be unaffected. If the programme slipped such that the investment cost took longer to repay, the reserve position would be lower than shown by the amount of saving unrealised in 2019.

The sufficiency of reserves held by Torbay is a recognised and well documented issue and with a projected £17.4m of savings required over the three year period for which £16.6m of reserves are expected to remain, the financial position of the council is delicately poised. This highlights that it is not potential slippage of a partnership with Devon where the main risk lies, it is the indirect impact of pursuing the partnership on achieving the savings that the council needs to find. Although the saving benefits of a partnership would be expected to increase over the long term, a contribution of 1% over the four year period being considered illustrates where the balance of focus should be. Devon has yet to study Torbay's transformation and savings programme to identify how it could help reduce deliverability risk. The potential to underwrite Torbay's financial position as part of taking on management responsibility has been raised in discussions but there are a number of significant implications associated with this which would need to be considered.

5. Financial Case (cont)

Potential financial benefit of Town Councils

The precept charged by town and parish councils falls outside the Government's council tax referendum limits. Following concern that councils were seeking to use town and parish councils to circumvent the intentions of the referendum control, DCLG came close to imposing a restriction as part of last year's financial settlement but ultimately decided against doing so.

However, devolving certain locally sensitive services such as:

- libraries
- public conveniences
- public realm maintenance

to town and parish councils, with an unrestricted ability to raise income through the precept mechanism, could be a valuable strategy for addressing some of the budget pressures the council is facing. However, it would run counter to the strategy that has been pursued by the council over recent times to protect residents from council tax rises as much as is feasibly possible. The table below provides an illustration of the financial potential offered by adopting a fully parished model for Torbay. It shows that the direct budget of the three example services totals just over £3m which if recovered via a precept would amount to £72 (approximately 5% of the 2017/18 Band D tax rate). The current precept for the sole parish council in Torbay (Brixham) is £43 which would rise, using this example, to £115. Clearly, the messaging to residents would be important, assisted by the extent to which the additional income raised through the precept is reflected in a reduced Band D rate. At an extreme level, the council may choose not to reflect the reduction at all and in effect use the precept as a mechanism for generating an additional £72 per household from residents to reduce its saving challenge by just over £3m.

5. Financial Case (cont)

2017/18 Torbay budget	
	£'000
Libraries	1,004
Public conveniences	810
Grounds maintenance	1,354
	3,168
Council tax base	44,049
Current Brixham precept (£)	43.11
Additional Brixham precept (£)	71.92
Existing 2017/18 Council tax - Band D (£)	1377
Additional precept (%)	5%

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- Town and parish councils have a statutory basis for their existence, and may only carry out a particular type of activity if there is a clear basis for them to do so in law. They are eligible to use the General Power of Competence provided in part 1 of the Localism Act 2011 if they meet the following requirements that:
 - there being at least two thirds of the seats on the parish council filled at the most recent scheduled set of elections;
 - the clerk having received certain training;
 - 80% of the councillors also have received the relevant training; and
 - the town or parish council having published a statement of intent as to community engagement.
- If a town or parish council meets those conditions, then this would enable it to take on service responsibility for a number of local services currently provided by Torbay Council.

6. Management Case

Introduction

This section of the outline business case looks at how the relevant partner(s) foresee any shared arrangements operating and the implications for project management, operational management and democratic governance. It starts with an overview of best practice in major re-organisations.

Best practice check list

Research of previous major re-organisations indicate that certain factors need be in place:

- effective governance structures;
 - a steering group, drawn from Members of the partner organisations, to agree programme scope, and timetable, provide decisions and steers as required and monitor progress
 - a Programme Board – drawn from senior officers of the partner organisation responsible for delivery of the programme and its benefits
- dedicated project and programme management resources as distinct from using officers on a part time basis in addition to their day job
- effective internal and stakeholder communication and engagement

From our interview with partner organisations they would endorse and comply with these factors. It is fair to say that the partners thinking on how they foresee any shared arrangements is at a very early stage and would need to develop in dialogue with Torbay.

6. Management Case (cont)

Option 1 – shared arrangement with Plymouth

Plymouth's initial thoughts on the process are:

- Their starting point would be to engage with Torbay Members on understanding their vision for Torbay (much of Plymouth's strategic plan started with a similar exercise with Members on what they wanted Plymouth to be as a place) and what outcomes they were seeking to achieve
- That would provide clarity on the priorities for the strategic partnership and inform the subsequent integration process
- Both councils, possibly operating within a Joint Steering Group, would need to agree the shape and appointment process for a senior officer leadership team
- Integration on a phased basis:
 - Children's services first – April 2018
 - Back-office services
- When proceeding on a service business case by service business case basis

It is not Plymouth's presumption that the "Plymouth" way will predominate, but they are keen to understand how Torbay operate and learn from them. Plymouth does have an in-house transformation team and would want to spread the learning from their work, but would be resource constrained to provide project management leadership of the programme. Although Plymouth would want to achieve synergies and savings from integration as speedily as possible, their experience is that the full benefits from transformation will not be realised in less than 3-5 years.

Option 2 – shared arrangement with Devon

Devon would favour a "Big Bang" approach and believe shared arrangements would take an initial six months work once the starting gun is fired. Their starting point would be the establishment of effective governance arrangements and appointment of a shared officer leadership team as a first task e.g. Director of Adult Services/Head of Paid Service etc. They believe, given existing close working, the integration of some services would be easier than others e.g. highways. However, they would want to explore, utilising their "Doing what matters" programme of leader-led change to inform shared organisational design principles. This would be a longer-term process and could start after the initial six months design work. In any event they do not see a strategic partnership as a short term fix but would want a minimum 3-5 year commitment from Torbay.

Devon would deploy dedicated project management activities associated with the implementation of the partnership arrangements. They do not start with the presumption that "one size fits all" and would contemplate different ways of working in Torbay.

South Hams / West Devon District Councils

The councils' assumption is that priority will be given to working out shared management arrangements for Tier 1 services. Therefore work on Tier 2 services will not commence for six months after any council decision. Whilst there are a number of delivery options that can be considered, their preferred process would be for Torbay to agree its indicative budget and specification for Tier 2 services and commission the councils to deliver them with Torbay staff (including operational management) being TUPE'd across. This could be on a service-by-service basis although, given the councils distinct operating model, it is likely that the more services that are delivered through this

6. Management Case (cont)

Option 1 – shared arrangement with Plymouth

The Joint Steering Group, referred to above, may also require a hierarchy of joint sub committees to monitor and manage the specific areas of service that are operating within the partnership. Proposals for these would need to be developed as a priority with a clear understanding of their composition, their remit and how they relate to similar cross organisational management arrangements.

SROs should be appointed for the major components of change and establish the programme and project governance arrangements. They would need to have considerable autonomy to drive their programmes of change. They should be held to account for the delivery of their programme by the appropriate political oversight, probably through the Joint Committee structures.

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Option 2 – shared arrangement with Devon

commissioning arrangement, the greater the efficiencies that can be achieved. Another approach could be for Torbay to remain as the employer, adopt the operating model and enter into a shared service partnership for 2nd tier services similar to that already operating between SHDC & WDBC.

The commissioning of services through the SHWD model is the preferred process but this is open for discussion and the councils can envisage finding that Torbay's delivery approach for some services may be one that they would wish to emulate. An early opportunity for joint procurement could be in the waste and IT fields.

All of the above, would need to be underpinned by effective joint governance arrangements and a formal partnership agreement and Memorandum of Understanding.

Separate Joint Committees would need to be established with both partners to cover the areas of service transferred. It is likely that an overarching Joint Committee would also be needed between all the accountable partnered bodies i.e. Torbay, Plymouth, Devon, South Hams and West Devon. There would be a number of risks with this arrangement in clearly establishing who is responsible for what, given the move of Childrens' services to Plymouth, partnering with Devon for other Tier 1 services and the partnership with SHWD on district services. However, many of these services cut across tiers including planning, economic development, corporate functions, property etc. They would also need to be effectively coordinated, integrated and budget managed to assure effective operational delivery. This would not be straightforward and has the potential to cause confusion and complexity for politicians, staff and the public.

6. Management Case (cont)

Option 1 – shared arrangement with Plymouth

Key risks

- There would need to be assurance that both Plymouth and Torbay could identify and release significant capacity and capability to conduct the transition and transformation, without impacting detrimentally upon respective performance or their ability to generate the necessary savings.
- The programme needs to be realistic, especially in the degree of concurrent activity expected. An over-committed programme would threaten successful delivery. The programme needs to be staged and planned to intersect procurement and contract expiry opportunities.
- Experience shows that priorities and strategy between organisations can vary markedly over time, not least when there are changes in political control and especially when there are varying political cycles and differential budget pressures. This can lead to considerable frictions and disagreements. Constant effort will be required by all parties to develop and nurture the relationships, to regularly review performance and to keep the long-term goals under review.
- Sourcing the skill sets required for delivering transformational change.

Speed and delivery

Both parties will have to establish a programme team with clearly delineated responsibilities and correctly resourced for the duration of change. This is likely to be at least 2-3 years.

Option 2 – shared arrangement with Devon

Key risks

- This option could be even more complex with Torbay retaining employment responsibility for staff that would be working in effect under the auspices of Devon County Council and South Hams and West Devon. Delineating roles and responsibilities in these circumstances would be difficult both for the partners but also for the retained management within Torbay. There is a risk that managers and staff receiving conflicting direction.
- The programme needs to be realistic, especially in the degree of concurrent activity expected. An over-committed programme would threaten successful delivery. The programme needs to be staged and planned to intersect procurement and contract expiry opportunities.
- Sourcing the skill sets required for delivering transformational change.

Speed and delivery

Both Torbay and Devon will need to establish a programme team with clearly delineated responsibilities and correctly resourced for the duration of change albeit that Devon are quite bullish about the timescales and resourcing this would involve. At Tier 2 level, the process may be more piecemeal, as described earlier, and unlikely to occur before South Hams and West Devon complete their own unification programme.

6. Management Case (cont)

Option 1 – shared arrangement with Plymouth

Resourcing and skill sets

- The programme team would need to include sufficient project managers, business analysts, and support officers as well as having access to dedicated corporate support including finance, HR, legal, ICT and property.
- External support to help develop and assure the partnership arrangements or other transfer documents would be necessary. This would include legal, actuarial, and probably some financial support as well as support to conduct assurance reviews at gateway milestones.
- The Council's need to be prepared to fund the additional resources required for this period as any net savings that could accrue may extend beyond a one year payback.

Project Management

Programme and project management needs to be an enduring capability although a higher level of capability and resource would be required during the transition period and to deliver the necessary transformation.

Option 2 – shared arrangement with Devon

Resourcing and skill sets

- The programme team would need to include sufficient project managers, business analysts, and support officers as well as having access to dedicated corporate support including finance, HR, legal, ICT and property.
- External support to help develop and assure the partnership arrangements or other transfer documents would be necessary. This would include legal, actuarial, and probably some financial support as well as support to conduct assurance reviews at gateway milestones.
- The Council's need to be prepared to fund the additional resources required for this period as any net savings that could accrue may extend beyond a one year payback.

Project Management

Programme and project management needs to be an enduring capability although a higher level of capability and resource would be required during the transition period and to deliver the necessary transformation. At Tier 2 level, South Hams and West Devon are working on building an implementation capability that can be retained as a commercial resource to be sold to other bodies undergoing the same change processes that they are undertaking. This represents an option for Torbay in terms of resourcing.

6. Management Case (cont)

Option 1 – shared arrangement with Plymouth

Due Diligence

There will need to be clarity on how objective setting, performance management and disciplinary processes are to be implemented in a shared workforce when staff are to remain employed as at present.

It could be especially challenging if there is a diversity of views on operating models and the need for change between partnering organisations and those with management responsibility within them.

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Option 2 – shared arrangement with Devon

Due Diligence

There will need to be clarity on how objective setting, performance management and disciplinary processes are to be implemented in a shared workforce when staff are to remain employed as at present.

It could be especially challenging if there is a diversity of views on operating models and the need for change between partnering organisations and those with management responsibility within them.

Dependent upon the nature of the partnership at Tier 1 level, specifically in relation to budget management obligations, Devon would want to confirm inter alia the asset register quality; liabilities and obligations with respect to retaining walls given the hilly and coastal nature of Torbay; compatibility of systems; political agreement around policy decisions e.g. street light dimming, grass cutting frequency; existing resourcing/staff numbers and skill sets within Torbay.

Appendix A: Members' assessment criteria

	Strategic	Economic	Commercial	Financial	Management
Partner's ability and track record in delivering savings and high service standards		X		X	
Impact on economic development and regeneration		X			
Compatibility of organisations' strategic plans	X		X		
Speed and deliverability of proposals		X		X	X
Impact on key services such as education and public health		X			
Impact on the quality and funding of Tier 2 services		X		X	
Track record in dealing with issues facing Torbay such as deprivation	X	X			
Responsiveness to local community needs	X	X			
Impact on other partnerships	X	X			

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[Neil Merrick](#) 06 June 2018

Parish councils and the devolution of services



When city councillors stood for election in Salisbury last year, they promised voters they would provide the cleaner streets people wanted. But they also warned that it would come at a price.

Despite its name, Salisbury is a parish council and, along with other parish and town councils, is taking on services from higher tier authorities.

Twelve months after the election, the band D precept it charges residents has gone up by 69% to £208. Salisbury now raises just over £3m per year from council tax compared with £1.7m in 2017/18.

The higher precept coincides with Salisbury not only taking responsibility for street cleaning from Wiltshire, a unitary authority, but also maintenance of parks, children's playgrounds and open spaces such as the market square.

Further devolution is due to follow. Ironically, in a city where security has dominated conversation for the past few months, the city council is about to take control of a new digital CCTV system.

Council leader Matthew Dean is proud of what he sees as major devolution, nine years after reorganisation saw Salisbury lose its district council powers with most services passed to Wiltshire.

The driver for change may well be financial, with higher tier authorities capped and prioritising statutory services. But Dean, who also sits on Wiltshire Council, says it makes sense for Salisbury to take charge of areas such as recreation.

The council's turnover has risen by £2.3m to £6.2m. "As unitary authorities become more strategic commissioning authorities with less discretion over services, there is a feeling that these services should be devolved down," he says.

Government figures show band D precepts levied by parish and town councils rose by an average of 4.9% in 2018/19, the lowest increase for three years.

But this headline figure masks significant differences in parts of England, with some parish authorities doubling or trebling precepts to fund services once provided by higher tier councils.

Justin Griggs, head of policy at the National Association of Local Councils, says parishes are not just looking to take over services but raise standards. 'Communities are continuing to invest more of their own money through their parish council,' he says. 'People can get involved in holding councils to account.'

Not all parish councils are multi-million businesses in the same way as Salisbury. An analysis by NALC shows the largest band D rise this year was 717%, levied by three grouped parishes in Lancashire - Bolton by Bowland, Gisburn Forest and Sawley. Together, however, the councils are only raising just over £20,000 from council tax in 2018/19.

In contrast, Mountsorrel Council will raise more than £540,000 (up from £207,000) after increasing its band D precept from £76 to £199. The rise follows the transfer of services from Leicestershire and from Charnwood Borough Council.

Not only is Mountsorrel running a community centre and a youth cafe but, from September, will take charge of a library threatened with closure. The librarian's salary will be paid by the parish council. "We didn't want to rely on volunteers," says parish chair Steve Haywood.

Opposition to the rise has mostly died down, he says, noting that services provided by the parish only cost about 55p per day. Yet the parish rise was accompanied by a 5.99% council tax increase levied by Leicestershire and one of 3.6% from Charnwood.

During the past five years, Mountsorrel has taken nearly £320,000 from reserves to avoid increasing council tax, leaving it with just £48,000.

In the long term, there is the question of whether Mountsorrel and other parishes that rely on volunteer councillors have the capacity to run services associated with larger councils. 'We are the lowest of the low,' says Heywood. 'We are the third tier of local government and don't get paid.'

This year's average rise of 4.9% in band D parish precepts follows increases of 6.3% in 2017/18 and 6.1% the previous year. For now, talk of capping parish precepts has receded, but ministers are undoubtedly keeping an eye on spending.

In a speech to last year's annual NALC conference, Sajid Javid, then Communities and Local Government Secretary, noted that 30 parish or town councils were raising more than £1m per year through council tax. 'The desire for communities to take back control is clearly there,' he said.

Javid also warned district councils and unitary authorities they should pass funding down to parishes, including a portion of grant for council tax support schemes. This message was reiterated in a letter sent to billing authorities in May by the Ministry for Housing, Communities and Local Government.

According to Justin Griggs, parishes regularly look to other sources of funding, such as grants. 'Parish councils are alert to the message from central government about fiscal responsibility,' he adds.

In East Devon, Cranbrook Town Council is just three years old but watching its tax base grow. By 2031, there should be 8,500 homes in the town compared with 1,900 today.

In April, the council virtually trebled the band D precept to £256. However, residents have the consolation of no longer paying an estate rent charge to a management company set up by developers, with 97% of residents likely to be better off.

The town council is running play areas and other open spaces, including a country park and nature reserve. 'The district council and county council expect the town council to take the lead on these things,' says Ray Bloxham, chair of Cranbrook's finance committee.

Back in Salisbury, the city council is preparing not just to run CCTV but to take on a full-time environmental services manager. Looking back over the past few months,

Matthew Dean believes devolution gave the council the status and extra capacity to help the city recover following the Skripal affair.

Grounds staff employed by the council cleaned up play areas as well as the Maltings shopping precinct, which was at the centre of the incident. 'There was a feeling that we are

the local people on the ground,' says Dean. 'It's wonderful to have a large parish council to support Salisbury through this event.'

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