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Tuesday, 24 January 2012

Meeting of the Council

Dear Member

I am pleased to invite you to attend a meeting of Torbay Council which will be held in **Ballroom, Oldway Mansion, Torquay Road, Paignton, TQ3 2TE** on **Wednesday, 1 February 2012** commencing at **5.30 pm**

The items to be discussed at this meeting are attached.

Yours sincerely,

Elizabeth Raikes
Chief Executive

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

Our vision is working for a healthy, prosperous and happy Bay

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

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(i)
THE MJ
2010
Achievement Awards
COMMENDED

Meeting of the Council Agenda

1. **Opening of meeting**

2. **Apologies for absence**

3. **Minutes**

To confirm as a correct record the minutes of the meeting of the Council held on 8 December 2011.

(Pages 1 - 20)

4. **Declarations of interests**

(a) To receive declarations of personal interests in respect of items on this agenda

For reference: Having declared their personal interest members and officers may remain in the meeting and speak (and, in the case of Members, vote on the matter in question). If the Member's interest only arises because they have been appointed to an outside body by the Council (or if the interest is as a member of another public body) then the interest need only be declared if the Member wishes to speak and/or vote on the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(b) To receive declarations of personal prejudicial interests in respect of items on this agenda

For reference: A Member with a personal interest also has a prejudicial interest in that matter if a member of the public (with knowledge of the relevant facts) would reasonably regard the interest as so significant that it is likely to influence their judgement of the public interest. Where a Member has a personal prejudicial interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(Please note: If members and officers wish to seek advice on any potential interests they may have, they should contact Democratic Services or Legal Services prior to the meeting.)

5. **Communications**

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

6. **Members' questions**

To answer any questions asked under Standing Order A13.

7. Notice of motions

To consider the following motions, notice of which has been given in accordance with Standing Order A14 by the members indicated:

(a) Gas and Electricity Prices

This Council notes that Torbay suffers from increasing levels of deprivation and growing inequality.

A significant cost to local people is the rocketing cost of utility bills.

This council notes that the wholesale price of Gas and Electricity is the same as 12 months ago, but the cost to consumers has risen by 20%.

In the light of the above this Council instructs the Chief Executive to write to the appropriate Minister demanding more transparency in this market place to ensure that the neediest in our society are not continually disadvantaged.

Submitted by Councillor Pountney and Councillor Darling

(b) Fair Banking for the People of Torbay

With the residents of Torbay struggling to cope in a deep recession caused in major part by reckless banking, this Council welcomes the report of the Independent Commission on Banking (The Vicker's Report) and the Coalition Government's decision to legislate in 2012 to curb the power of the commercial banks to use the deposits of their customers in casino banking practices, by divorcing the necessary functions of High Street banks from Investment Banking, but calls on Her Majesty's Government to accelerate the implementation of this legislation so that banks have to comply during the lifetime of the present Parliament. This Council condemns the timetable proposed by the Chancellor of the Exchequer which gives banks until 2019 to comply. This is unacceptable to the hard working residents of Torbay whose deposits and savings will remain available as assets that can be put at risk to underpin highly speculative operations within those banks.

Submitted by Councillor Darling and Councillor Pentney

8. Mayoral Decision - Marina Car Park, The Pavilion and Cary Green Redevelopment, Torquay - Subject to Call-In

(Pages 21 - 28)

To consider the submitted report on a proposed lease in respect of the above sites and any recommendations from the Harbour Committee.

9. **Mayoral Decision - Disposal of Amenity Land Forming Part of 'Old Maid's Perch', Torbay Road, Torquay - Subject to Call-In** (Pages 29 - 36)
To consider the submitted report on the proposed disposal of Amenity Land Forming Part of 'Old Maid's Perch', Torbay Road, Torquay.
10. **Mayoral Decision - Future Use of Chestnut Primary School Site - Subject to Call-In** (Pages 37 - 42)
To consider a report on the future use of the former Chestnut Primary School Site in Chestnut Drive, Brixham.
11. **Members' Allowances - Recommendations of Independent Remuneration Panel** (Pages 43 - 64)
To consider the report of the Independent Remuneration Panel on its review of the Members' Allowances Scheme for 2011/2012.
12. **Treasury Management Strategy 2012/13 (incorporating the Annual Investment Strategy 2012/13 and the Annual Minimum Revenue Provision Statement)** (Pages 65 - 90)
To consider a report and the recommendations of the Audit Committee on the above.
13. **Revenue Budget Proposal 2012/2013** (To Follow)
(Members are requested to bring the Mayor's Proposals for the Revenue Budget 2012/13 prepared by the Chief Finance Officer for Six Week Public Consultation circulated on 8 December 2011 with them to the meeting).
- (i) To consider the submitted report (to follow) on the Local Government Finance Settlement on the Revenue Budget for 2012/13.
- (i) To consider the above reports (to follow) and the recommendations of the Mayor on the Revenue Budget Proposals for 2012/13.
- (**Note:** This item will be deferred for consideration at an adjourned meeting of the Council to be held on Wednesday, 8 February 2012.)
14. **Capital Plan Budget 2012/13 to 2015/16** (To Follow)
(Members are requested to bring the Mayor's Proposals for the Capital Investment Plan 2012/13 to 2015/16 prepared by the Chief Finance Officer for Six Week Public Consultation circulated on 8 December 2011 with them to the meeting.)
- To consider the submitted report (to follow) setting out the Capital Plan Budget for 2012/13 to 2015/16 and the recommendations of the Mayor.
- (**Note:** This item will be deferred for consideration at an adjourned meeting of the Council to be held on Wednesday, 8 February 2012.)

- 15. Strategic Agreement between Torbay NHS Care Trust and Torbay Council - Policy Framework** (To Follow)
To consider a report on the above.

(**Note:** This item will be deferred for consideration at an adjourned meeting of the Council to be held on Wednesday, 8 February 2012.)

- 16. Chairman and Vice-Chairman Selection 2012/13**
In accordance with the Council's Standing Orders (A9.1) to select, by elimination ballot, the Chairman/woman-Elect and Vice-Chairman/woman-Elect for the Municipal Year 2012/13.

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Minutes of the Council

8 December 2011

-: Present :-

Chairman of the Council (Councillor Mills) (In the Chair)
Vice-Chairman of the Council (Councillor Stringer)

The Mayor of Torbay (Mayor Oliver)

Councillors Addis, Amil, Baldrey, Barnby, Bent, Brooksbank, Cowell, Davies, Darling, Doggett, Ellery, Excell, Faulkner (A), Faulkner (J), Hill, Hytche, James, Lewis, McPhail, Morey, Parrott, Pentney, Pritchard, Richards, Scouler, Stockman, Thomas (D), Thomas (J) and Tyerman

405 Opening of meeting

Members observed a minute's silence as a mark of respect in memory of Lance Corporal Peter Eustace and Rifleman Sheldon Lee Jordan Steel both from the Rifles, who lost their lives serving in Afghanistan. The meeting was then opened with a prayer.

406 Apologies for absence

Apologies for absence were received from Councillors Bent (for the adjourned meeting only), Butt, Hernandez, Kingscote, Pountney and Stocks.

407 Minutes

The Minutes of the extraordinary meeting of the Council held on 31 October 2011 were confirmed as a correct record and signed by the Chairman.

408 Declarations of interests

The following personal interest was declared:

Councillor	Minute Number	Nature of interest
Pentney	418	Granddaughter attends Mayfield School

409 Communications

The Chairman:

- (a) congratulated all those involved in campaigning for funding for the South Devon Link Road. He especially thanked past and present members and officers, the former and current Mayors and local Members of Parliament for all their efforts;
- (b) advised that all members had received a briefing on the Love Life campaign, which was being run jointly with Public Health, the Council and the Herald Express. This year long campaign aimed to encourage communities, councillors and staff to make personal pledges to do something 'healthy' such as stopping smoking or losing weight. A number of members had already signed up with their personal pledges and the Chairman encouraged all members to sign-up and make their pledge. The Chairman announced that he would be making the 'Boxing Day Dip' in Torquay and Paignton as part of his pledge and encouraged members to join him; and
- (c) provided details of the Civic Carol Service which was taking place on 13 December 2011 at 7.30 p.m. at the Riviera International Conference Centre. All proceeds from the event would be donated to the Chairman's charity.

The Mayor:

- (a) referred to the Government's consultation on the changes to the 'feed in tariff' scheme in respect of photovoltaic panels and the work Councillor Darling had undertaken on this. The installation of photovoltaic panels on roofs had not only introduced environment benefits, but a range of activities such as the creation of new jobs, increased skills in the workforce and opportunities for new apprenticeships. The Government's proposed changes would impact on these benefits. Therefore, the Mayor advised that he would write to the Government requesting a review of the proposed changes to the 'feed in tariff' scheme. The Chairman invited the Group Leaders to comment on the Mayor's communication and Councillors Darling and Morey supported the Mayor; and
- (b) supported the Chairman on his communication in respect of the South Devon Link Road and also expressed his thanks to all of those involved.

410 Order of Business

In accordance with Standing Order A7.2 in relation to Council meetings, the order of business was varied to enable agenda item 7(g) (Mayoral Decision – Torbay and South Devon Growth Enterprise Task Force/Employment Growth and Enterprise Programme), item 9 (Beach Hut Charges) and item 12 (Torre Abbey Village Green Application), to be considered at the adjourned meeting commencing at 5.30 pm.

411 Members' questions

Members received a paper detailing the questions, as set out at Appendix 1 to these Minutes, notice of which had been given in accordance with Standing Order A13.

Verbal responses were provided at the meeting. Supplementary questions were then asked and answered by the Mayor for questions 1 and 2.

412 Mayoral Decision - Adoption Activity Report

The Council noted the activities of the Torbay Children's Services Adoption Agency for the period 1 April 2011 to 30 September 2011 as set out in the submitted report.

413 Mayoral Decision - Annual Report for the Virtual School for Children Looked After

The Council, as Corporate Parents, noted the annual report of the Governing Body of Torbay Virtual Report on the achievements of the Children Looked After and the work of the Torbay Virtual School for the academic year 2010/11.

414 Mayoral Decision - Revenue Budget Monitoring 2011/12 Quarter 2

The Council noted the submitted report setting out revenue budget monitoring information for 2011/12. The Chairman reported that the Overview and Scrutiny Board would review the submitted report and bring forward recommendations following its next meeting.

415 Mayoral Decision - Revenue Budget 2012/13 - Provisional Spending Targets

The Mayor presented his provisional spending targets for the revenue budget 2012/13 (details of which were circulated after the meeting) to enable the consultation process on the budget to begin. The Mayor's Record of Decision, which also includes further information on his decision, is attached to these minutes.

416 Mayoral Decision - Capital Investment Plan for 2012/13 to 2015/16

The Mayor presented his proposed capital investment plan for 2012/13 (details of which were circulated after the meeting) to enable the consultation process on the budget to begin. The Mayor's Record of Decision, which also includes further information on his decision, is attached to these minutes.

417 Mayoral Decision - Policy on the Protection of Children in relation to Tobacco Sales and Other Age Restricted Goods - Subject to Call-in

The Council made the following recommendation to the Mayor:

It was proposed by Councillor Lewis and seconded by Councillor Addis:

that the Mayor be recommended to approve the Supply of Age Restricted Products Policy, as set out in Appendix 1 to the submitted Report.

On being put to the vote, the motion was declared carried (unanimous).

The Mayor considered the recommendation of the Council as set out above at the meeting and the record of his decision, together with further information, is attached to these Minutes.

418 Capital Budget Monitoring 2011/12 (2nd Quarter)

The Council received the submitted report which provided an overview of the Council's approved capital programme for the quarter ending September 2011 and set out proposed amendments to the programme. The Chairman reported that the Overview and Scrutiny Board would review the submitted report and bring forward recommendations following its next meeting.

It was proposed by Councillor Tyerman and seconded by Councillor Brooksbank:

- (i) that the latest position on the Capital Programme be noted;
- (ii) that £0.5 million of prudential borrowing be approved for an "invest to save" scheme to bring empty homes back into use to be funded from New Homes Bonus Grant (as set out in paragraph A2.4 of the submitted report); and
- (iii) that £0.2 million be approved to invest in the enhancement of assets prior to sale for development to be funded from capital receipts (as set out in paragraph A2.2 of the submitted report).

On being put to the vote, the motion was declared carried.

(Note: During consideration of Minute 418, Councillor Pentney declared her personal interest.)

419 Council Tax Base 2012/13 and other Financial Matters

Members considered the submitted report which set out the Council's tax base for council tax purposes for 2012/13.

It was proposed by Councillor Tyerman and seconded by Councillor Pritchard:

- (i) that the calculation of the Council Tax Base for the year 2012/13 be approved as shown in Appendix 1 of the submitted report;
- (ii) that the calculation of the Brixham Town Council Tax Base for the year 2012/13 be approved as shown in Appendix 2 of the submitted report;
- (iii) that, in accordance with the Local Authorities (Calculation of Tax base) (Amendment) Regulations 2003, the amount calculated by Torbay Council as its Council Tax base for the year 2012/13 should be 49,021.42;

- (iv) that, in accordance with the Local Authorities (Calculation of Tax base) (Amendment) Regulations 2003, the amount calculated by Torbay Council as the Council Tax base for Brixham Town Council for the year 2012/13 should be 6,664.97; and
- (v) that the estimated distribution on the Collection Fund as shown in paragraph A1.13 to the submitted report be approved.

On being put to the vote, the motion was declared carried.

420 Proposed Amendment to Byelaws to Allow Cycling in Torbay Parks and Pleasure Grounds

The Council considered the submitted report on amendments to byelaws in Torbay to allow cyclists to use parks and pleasure grounds on designated routes. The proposal sought to assist with the promotion of cycling in Torbay as a method of sustainable travel that will reduce traffic congestion and improve the general health of residents and visitors.

It was proposed by Councillor Excell and seconded by Councillor Hill:

- (i) that Torbay Council begin a period of consultation to consider whether the Secretary of State should be asked to approve an amendment to the existing byelaw in order to allow cycling in Torbay Parks and Pleasure Grounds, on designated routes only;
- (ii) that if, following consultation, no objections are received the recommendation will be passed to the Secretary of State for consideration; and
- (iii) that if any objections are received the Executive Head of Residents and Visitor Services, in consultation with the Executive Lead for Safer Communities and Transport, be delegated authority to consider and determine the objections before proceeding to the Secretary of State.

On being put to the vote, the motion was declared carried.

421 Urgent Decision taken by the Chief Executive under the Officer Scheme of Delegation - Recruitment of Directors

Members noted the details of a decision taken by the Chief Executive (recruitment of directors) on the grounds of urgency, as set out in the submitted report.

422 Adjournment

At this juncture, the meeting was adjourned until 5.30 pm on Thursday 8 December 2011.

423 Mayoral Decision - Torbay and South Devon Growth and Enterprise Task Force - Subject to Call-in

The Council made the following recommendations to the Mayor:

It was proposed by the Mayor and seconded by Councillor Thomas (D):

that a South Devon Growth and Enterprise Task Force be established which could comprise of the Mayor, Deputy Mayor, Executive Lead for Finance, the leaders of the minority groups, the leaders of neighbouring districts and the South Devon MPs alongside private sector representatives. The group would be supported by an officer team and would develop proposals to enable growth. These might include the development of a discretionary local business rate relief policy and adoption of simplified planning processes.

On being put to the vote the motion was declared carried.

The Mayor considered the recommendation of the Council as set out above at the meeting and the record of his decision, together with further information, is attached to these minutes.

424 Beach Hut Charges

The Council considered the submitted report setting out a proposed revision to beach hut charges. The report formed part of the Council's review of all its service areas to improve productivity and maximise income generation.

It was proposed by Councillor Pritchard and seconded by Councillor Tyerman:

that the proposed revision to beach and amenity charges for 2012/13 as detailed at Appendix 1 to the submitted report be approved.

On being put to the vote, the motion was declared carried (unanimous).

425 Torre Abbey Village Green Application

The Council considered the submitted report setting out an application to register Torre Abbey Meadows as a Town or Village Green under the Commons Act 2006.

It was proposed by Councillor Thomas (D) and seconded by Councillor Hytche:

that the Council rejects the Application on the following ground:-

that at all times during the Council's ownership of Torre Abbey Meadows up to the date of the application (and at all times since that date) Torre Abbey Meadows been held and maintained by the Council under Section 164 of the Public Health Act 1875 for public walks or pleasure grounds and has been by implied permission available for recreational use by the public for lawful sports and pastimes. Accordingly, the Applicant is unable to show that there has been use of Torre Abbey Meadows as a Town or Village Green "as of right" for

the requisite period of 20 years (as provided under Section 15(2) of the Commons Act 2006.

On being put to the vote, the motion was declared carried (unanimous).

Chairman

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Minute Item 411

Meeting of the Council

Thursday, 8 December 2011

Questions Under Standing Order A13

Question (1) by Councillor Darling to the Mayor – Mayor Oliver	It was shocking to learn that the £16000 invested in a television advertisement on Sky television, only resulted in 10 enquiries. Can the Mayor share with the Council whose advise was it to place such an advertisement and what the anticipated return was?
Question (2) by Councillor Baldrey to the Mayor – Mayor Oliver	You and many others have praised the work done by Brixham 21 Ltd especially in relation to the delivery of the new Fish Market. Other projects are in the pipeline for Brixham for which it would be natural for Brixham 21 to again take a lead role. Please could you define exactly how Brixham 21 has fallen short of its written agreement with Torbay Council such that you find it necessary to encourage the creation of a rival body for regenerating Brixham?

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Record of Decisions

Revenue Budget 2012/13 - Provisional Spending Targets

Decision Taker

Mayor on 08 December 2011

Decision

- (i) that all Members and the Overview and Scrutiny Board be requested to consider the implications of the target budgets set for the individual business units (as set out below). Overview and Scrutiny to consider the budget papers at its meetings in January 2012 and report back to the Mayor and the Council on 1 February 2012 on the outcomes of its deliberations and stakeholder representations;

Business Unit/Service		Sub Total	Corporate Budgets *	Total
	£000's	£000's	£000's	£000's
Adults & Operations				
• Adult Social Care				
○ Torbay Care Trust	39,500			
○ 2% increase for Care Homes	335			
○ NHS Funding	2,224			
<i>Sub Total</i>	<i>42,059</i>			
○ Other Adult Services – Joint Equipment Store	560			
<i>Adult Social Care Total</i>		42,619		42,619
• Business Services		1,986		1,986
• Commercial Services		2,485	(999)	1,486
• Finance		11,733	(9,803)	1,930
• Information Services		3,841	(727)	3,114
• Supporting People		5,913		5,913
Children, Schools & Families		19,917		19,917
Communities & Local Democracy				
• Community Safety		2,587		2,587
• Community Engagement		1,321		1,321
Place & Environment				
• Economic Development Company (Client Side)		4,276		4,276
• Residents & Visitors		9,005	(258)	8,747
• Spatial Planning		5,291	(3,888)	1,403
• Torbay Harbour Authority		0		0
• Waste & Cleaning		11,142		11,142
Corporate Budgets		0	15,675	15,675
Total Provisional Budget for 2012/13		122,116	0	122,116

Funded From				
• Government Grant (estimated)				58,493
• Council Tax Income				61,823
• Collection Fund Surplus				1,800
Estimated Income				122,116

* Corporate Budgets include Treasury Management, Precepts, External Audit Fees, Concessionary Fares, IT licences;

- (ii) that all Members and the Overview and Scrutiny Board be requested to consider the Review of Reserves report and recommendation;
- (iii) that all Members and the Overview and Scrutiny Board be requested to consider the fees and charges for each service and note the Medium Term Resource Plan;
- (iv) that the Chief Finance Officer be given authority to amend these targets for any technical adjustments necessary between services and within the overall envelope of funding in agreement with the Mayor and Executive Lead Member with responsibility for Finance;
- (v) that the Chief Finance Officer report to Council on 1 February 2012 on the implications for 2012-13 and later years as a result of these targets currently being considered and in light of the final settlement which is expected in late January or early February;
- (vi) that the Chief Finance Officer responds to the implications upon Torbay of the Provisional Local Government Finance Settlement, after consultation with the Mayor and Executive Lead Member for Finance; and
- (vii) that an Equalities Impact Assessment (EIA) be completed following the consultation process and presented to the Mayor with any recommendations from the Overview and Scrutiny Board.

Reason for the Decision

To enable the consultation process on the budget to begin.

Implementation

This decision will come into force on 13 December 2011 and forms part of the six week consultation process on the budget.

Information

At the Council meeting on 8 December 2011, the Mayor announced his provisional spending targets for 2012/13 (as set out in the paper circulated after the meeting) to start the consultation process for scrutinising and developing the budget proposals. The provisional targets and development of the budget would support the Council in delivering its key aims and objectives as set out in the Community Plan and Corporate Plan for 2012/13.

The Council faces significant challenges in light of ongoing uncertainties about the economy and the spending targets had been set in this context with the largest cuts to public spending

and local funding for a generation. The Provisional Local Government Finance Settlement had not been announced, but the Government's intention to 'top-slice' the local government grant to fund academy schools may require the Council to identify additional savings. The impact of significant reductions to the local government grant will result in the Council facing a number of difficult decisions to ensure services can be delivered within much reduced finances compared to previous years.

The provisional spending targets have been set in recognition of the need to ensure resources are prioritised in accordance with agreed plans but mindful of further reductions to the local government grant over the course of the four year Comprehensive Spending Review. If the targets identified provide more savings than is required this will allow the Mayor to reinvest money into priority services.

The consultation on the 2012/13 budget has been open since September 2011 to allow members of the public to have their say on their priorities and the proposals which have been put forward to date. In addition, the Mayor wishes to hear the views of all members, the Overview and Scrutiny Board and external stakeholders on his proposals before finally recommending a budget to the Council on 1 February 2012.

Alternative Options considered and rejected at the time of the decision

Alternative options were not considered.

Is this a Key Decision?

Yes – Reference Number: I003648

Does the call-in procedure apply?

No

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

None.

Published

13 December 2011

Signed: _____
Mayor of Torbay

Date: 13 December 2011

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Record of Decisions

Capital Investment Plan for 2012/13 to 2015/16

Decision Taker

Mayor on 08 December 2011

Decision

That the Overview and Scrutiny Board be requested to review the Capital Investment Plan 2012/13 to 2015/16 and associated documents (as set out in the Mayor's consultation document circulated on 8 December 2011) in relation to the Council's Capital and Asset Management Strategies for 2012/13 and make recommendations to the Mayor as appropriate.

Reason for the Decision

To enable the consultation process on the budget to begin.

Implementation

This decision will come into force on 13 December 2011 and forms part of the six week consultation process on the budget.

Information

At the Council meeting on 8 December 2011, the Mayor announced his proposals for the Capital Investment Plan 2012/13 to 2015/16 (as set out in the paper circulated after the meeting) to start the consultation process for scrutinising and developing the budget proposals.

The paper included the capital and asset related reports of the Summary Capital Strategy 2012/13, Asset Management Plan 2012/13 and the Capital Investment Plan 2012/13 to 2015/16, together with the Prudential Indicators for 2012/13. The Treasury Management Strategy (including the Annual Investment Strategy) 2012/13 would also form part of the proposals and was due to be published for the Audit Committee on 22 December 2011. These documents set out the way the Council uses both capital funding and assets on behalf of the public to improve the lives of communities who live and work in the Bay, as well as improving and regenerating Torbay.

Alternative Options considered and rejected at the time of the decision

Alternative options were not considered.

Is this a Key Decision?

Yes – Reference Number: I003652

Does the call-in procedure apply?

No

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

None.

Published

13 December 2011

Signed: _____
Mayor of Torbay

Date: 13 December 2011

Record of Decisions

Policy on the Protection of Children in relation to Tobacco Sales and Other Age Restricted Goods

Decision Taker

Mayor on 08 December 2011

Decision

That the Supply of Age Restricted Products Policy, as set out in Appendix 1 to the submitted Report, be approved.

Reason for the Decision

To meet statutory requirements.

Implementation

This decision will come into force and may be implemented on 21 December 2011 unless the call-in procedure is triggered (as set out in the Standing Orders in relation to Overview and Scrutiny).

Information

The Council is required by Section 5 of the Children and Young Persons (Protection from Tobacco) Act 1991 to consider, at least once a year, the extent to which it is appropriate to carry out a programme of enforcement action in relation to tobacco and tobacco related products. The submitted report set out the requirements of this annual review and extended the remit to other age restricted goods.

The Mayor supported the recommendations of the Council made on 8 December 2011, as set out in his decision above.

Alternative Options considered and rejected at the time of the decision

None.

Is this a Key Decision?

No

Does the call-in procedure apply?

Yes

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

None.

Published

13 December 2011

Signed: _____
Mayor of Torbay

Date: 13 December 2011

Record of Decisions

Torbay and South Devon Growth and Enterprise Task Force

Decision Taker

Mayor on 08 December 2011

Decision

That a South Devon Growth and Enterprise Task Force be established which could comprise of the Mayor, Deputy Mayor, Executive Lead for Finance, the leaders of the minority groups, the leaders of neighbouring districts and the South Devon MPs alongside private sector representatives. The group would be supported by an officer team and would develop proposals to enable growth. These might include the development of a discretionary local business rate relief policy and adoption of simplified planning processes.

Reason for the Decision

To assist with the increased retention of businesses in Torbay and support the attraction of new investment into the area which will lead to increased employment and improved public finances.

Implementation

This decision will come into force and may be implemented on 21 December 2011 unless the call-in procedure is triggered (as set out in the Standing Orders in relation to Overview and Scrutiny).

Information

The submitted report set out proposals to enable the Council to support the local economy in the delivery of employment sites and premises to enable retention, and attraction of growing businesses and in order to capitalise on the effects of the South Devon Link Road. The report set out the extent of undeveloped employment land in Torbay and proposed that a task group would consider how strategic sites could be developed and the steps needed to encourage investment from the private sector.

The Mayor supported the recommendations of the Council made on 8 December 2011, as set out in his decision above.

Alternative Options considered and rejected at the time of the decision

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

Is this a Key Decision?

No

Does the call-in procedure apply?

Yes

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

None.

Published

13 December 2011

Signed: _____
Mayor of Torbay

Date: 13 December 2011

2. Recommendations(s) for decision

Harbour Committee:

- 2.1 That the Harbour Committee note the recommendations to the Mayor/Council set out below:

Recommendation to Council:

That the Mayor be recommended:

- 2.2 That the Chief Executive of Torbay Development Agency, in consultation with the Mayor and Executive Lead for Employment and Regeneration, the Commissioner for Place and the Environment, the Executive Head of Tor Bay Harbour Authority and the Chair of the Harbour Committee, be instructed to negotiate and agree terms for the sale of a long lease or leases of the Marina Car Park, The Pavilion and Cary Green to the Nicholas James Group (or a subsidiary company) ('the Developer'). Such terms to include an obligation on the Developer to obtain planning consent and carry out and complete the redevelopment of the Marina Car Park, the restoration of The Pavilion and the redevelopment of Cary Green.**
- 2.3 That before any agreement is entered into, the Torbay Development Agency shall obtain a satisfactory independent valuation from a firm of Chartered Surveyors with the requisite experience in valuing such developments, demonstrating that the proposed terms represent best value that Torbay Council can reasonably obtain.**
- 2.4 That the Executive Head of Commercial Services, in consultation with the Chief Executive of Torbay Development Agency and the Executive Head of Tor Bay Harbour Authority, be authorised to enter into such documentation as may be necessary with the Council's present tenant, Marina Developments Limited ('MDL'), to allow the development to proceed, including but not limited to the acceptance of the surrender of part or all of MDL's existing leases and the grant of a new lease or leases to MDL or such other party on acceptable terms.**
- 2.5 That the new leases referred to in 2.2 and 2.4 contain provisions to ensure that Torbay Council as Harbour Authority continues to receive the existing levels of income from the development and the marina.**

3. Key points and reasons for recommendations

- 3.1 The proposal contained in this report represents an evolution of several proposals to regenerate Torquay's waterside. The initial proposals were aimed at restoring the promenade, Princess Gardens and The Pavilion (and possibly Princess Pier) with private sector funding. Following several public consultation events, guidance from the Mayor of Torbay and changes to the design by the developer, the current scheme is now focused on the Marina Car Park, The Pavilion and Cary Green. The scheme does not include Princess Gardens, the promenade or Princess Pier

- 3.2 Torquay's harbour and marina, along with the Princess Promenade, form part of Torquay's unique selling point and therefore any change needs to be sensitive and of very high quality.
- 3.3 The Marina Car Park is situated on the harbour estate and given its current use, in this location, it represents an under-utilised asset. The car park serves an important function in providing car parking spaces for the marina users, but it does not add to the appearance or vitality of the inner harbour. The current proposal is to create a 4 star resort hotel and spa with new waterfront restaurants and cafes built around a new car park structure which will retain the same number of parking spaces for the marina users plus create additional spaces for the hotel guests. The development will significantly improve the areas of public realm around the inner harbour. The increased vitality of the area will lead to an increased use of Princess Gardens and encourage more interaction between the marina users and visitors, and the town.
- 3.4 The Pavilion was constructed in 1911 and is in urgent need of extensive repairs. The current estimate for the cost of restoration and refurbishment is in excess of £2m. The building is let to Marina Developments Limited for 125 years from 1985. The proposal would oblige the Nicholas James Group to restore The Pavilion. The Pavilion would form part of the hotel and as such put to a viable use, thus safeguarding its future.
- 3.5 The redevelopment of Cary Green and Palk Street will create shops and restaurants on the ground floor (with residential above) which will increase the connectivity of The Pavilion, Princess Gardens and the marina to Fleet Street. The increased pedestrian footfall will add to the vitality of the area and to assist with the funding of the regeneration project.
- 3.6 Collectively the above development will create in excess of 200 direct jobs which will add approximately £4m per annum to the local economy. In addition analysis suggests that there will be further economic benefits estimated at around £5m per annum from visitors and additional indirect employment created elsewhere in the local economy.
- 3.7 The Harbour Authority will continue to receive the same percentage of the marina and car park revenue which may result in increased revenues due to the greater use of the car park and increased demand for the marina berths as a consequence of the improved marina facilities. Torbay Council will receive increased revenue by way of additional business rates.
- 3.8 Furthermore, Torbay Council will receive a New Homes Bonus for any new residential elements of the proposal. Central government will pay the Council the equivalent of a Council Tax bill for a band D property for each new home that is built in its constituency. Assuming 75 new residential units (as opposed to holiday apartments which attract uniform business rates) and a council tax band D bill of £1,489 pa, this will result in an income of over £110,000 pa from Central Government, on top of the council tax that the Council will receive from the owners / occupiers of the new units. The New Homes Bonus will be received annually, subject to Central Government continuing to fund the scheme. Please note that the number of residential units has been assumed from assessing the scale of the proposals. The final number will be different.

- 3.9 The regeneration and development proposed for the Marina Car Park, The Pavilion and Cary Green is consistent with the strategy of capitalising on Torbay's maritime heritage and will compliment the development of the Bay as a national events destination.
- 3.10 The agreement with the Nicholas James Group will be subject to further reports to the Development Control Committee and the receipt of detailed planning consent.
- 3.11 The TDA is aware of Nicholas James Group's extensive experience in developing and operating quality hotels in the south west of England.

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

Steve Parrock, Chief Executive of Torbay Development Agency

Supporting information to Report

A1. Introduction and history

- A1.1 The current scheme has evolved following a number of public consultation events and guidance from the Council.
- A1.2 Marina Developments Limited (MDL) has long leases on The Pavilion (125 years from 1985) and the Marina Car Park and Marina (125 years from 1987). The Nicholas James Group has an agreement with MDL to develop their leased assets, subject to reaching an acceptable agreement with Torbay Council.
- A1.3 The Nicholas James Group approached the TDA with their aspirations for a new hotel and car parking and highlighted how their development could be part of the comprehensive Mayor's Vision for this area.
- A1.4 Previous schemes by the Nicholas James Group were more comprehensive and sought to address many of the Council's repairing liabilities in the area. As such the current proposal is linked, historically, to previous Council reports covering the wider area of Princess Promenade and repairs to Princess Gardens. Please see Torbay Council Reports 41/2011 and 194/2010 further details regarding the history of Princess Gardens and Princess Promenade.
- A1.5 The TDA highlighted the scale of the repairing liability at Princess Gardens and the surrounding area at a meeting of the Tormohun Community Partnership on 22nd February 2010. The Nicholas James Group also presented their proposals at this meeting, and again on 26th May 2010 following further design. At that juncture English Heritage and the Torbay Civic Society both, in principle, supported the existing developer's proposals.
- A1.6 In 2011 the TDA suggested the Nicholas James Group consider an alternative option, being a smaller scheme which did not include development on the promenade. The result is the current proposal. However it should be appreciated that this scheme will not fund the Council's repairing liabilities in the immediate area.
- A1.7 In October 2011 Torbay Council approved the funding of the repairs to Princess Promenade and the "banjo." As such there is no need for the current development proposal to address these repairing liabilities. Consequently, and by design evolution of the scheme, the proposals now focus on the Marina Car Park, The Pavilion and Cary Green. They do not incorporate Princess Gardens or the Princess Promenade.
- A1.8 In October and November 2011 the TDA sought expressions of interest along with outline proposals for the leasing of part or parts of Torbay Council's prime waterside assets in the vicinity of The Pavilion. Advertisements were placed in the Western Morning News and the Estates Gazette. A number of parties initially expressed an interest but only one party (other than the Nicholas James Group) has supplied any proposals for the site. The party in question is only interested in a small piece of land and is not proposing the wider regeneration of the area. The TDA has advised the party that such a small proposal will not be considered as it may prejudice the desired outcome of a more comprehensive regeneration proposal. However if, following detailed design from the Nicholas

James Group, it is possible to include this smaller proposal, then it will be considered.

A1.9 After completing the exercise in A1.8 above, the TDA advises that Torbay Council now enters into negotiations with the Nicholas James Group in order to secure the proposed regeneration.

A1.10 The harbour estate includes marina and the Marina Car Park. The Harbour Authority receives a percentage of the income from the marina and Marina Car Park site, being a percentage of MDL's turnover.

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 There are several technical risks associated with the delivery of the proposed regeneration of the Marina Car Park, Pavilion and Cary Green, including risks relating to Planning Consent. As mentioned in 3.10 above the proposal will be subject to detailed planning consent.

A2.1.2 The risks associated with this report relate primarily to the granting of the new leases, which shall be subject to Planning Consent. The primary risk is that satisfactory terms might not be agreed with the Nicholas James Group and MDL, in which case the deal will not progress. The agreed terms will be verified and subject to an independent valuation. See 2.2 above.

A2.2 Remaining risks

A2.2.1 If the recommendations are implemented the Council should be aware that delivering the redevelopment could take a number of years. Obtaining planning consent is likely to attract a lot of interest, and any development in this area will require careful planning and sensitive design. The construction process may span more than one summer season. During this process access will be affected but by careful project management, sufficient access can be maintained.

(Note: A full risk assessment of the proposals is available from the report author.)

A3. Other Options

A3.1 Do nothing. The Marina Car Park will remain as it is. The repairing liability for The Pavilion will need to be addressed which may result in a repair bill in excess of £2m.

A3.2 Consider a smaller scale redevelopment project. However, as noted in A2.1.7 above a smaller scheme may not be viable and may not deliver the desired physical and economic regeneration or the restoration of The Pavilion

A3.3 Following on from A3.2 above the Council could consider a smaller scheme and make a capital contribution towards the repairs of The Pavilion.

A3.4 The land in question has been included within the LABV documentation as a contingency site. The Council could transfer the site to the LABV and the LABV's

private sector partner could help to finance the development and, from the profits, fund the repairs to The Pavilion. However, the LABV would need to acquire the leases from MDL, at market cost, which may render this option unviable.

A4. Summary of resource implications

- A4.1 TDA resources will need to be allocated for the work on this project. One Senior Development Surveyor will need to be assigned and a considerable proportion of his/her working capacity will be required to proactively progress the solution. Significant input from the Council's planning, highways and engineering departments, and the Harbour Authority, Residents and Visitor Services and Legal Services, will also be required.
- A4.2 The Council's harbour revenue will be disrupted during the construction phase, and the Harbour Committee may need to identify short term resources to compensate for any loss.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

- A5.1 The recommendations will not have any detrimental effect on equalities, environmental sustainability or crime and disorder. Moreover the TDA expects that the development will increase the level of activity in the area both during the daytime and in the evening. This, coupled with the improved lighting and access ramps generally, will make the area more accessible in the evening to people of all ages. Such activity is likely to reduce anti social behaviour and encourage sustained community use.

A6. Consultation and Customer Focus

- A6.1 The TDA highlighted the scale of the repairing liability for The Pavilion, Princess Promenade and Gardens and the associated infrastructure at a meeting of the Tormohun Community Partnership on 22nd February 2010. MDL's developer, the Nicholas James Group, also presented their proposals at this meeting, and again on 26th May 2010 following further design. At the time the proposals were aimed at privately funding the vast majority of the Council's £10.5m repairing liability, and as such the proposals were on a larger scale. English Heritage and the Torbay Civic Society both, in principle, commended the developer's proposals at this meeting.

The developer held a 3 day public consultation event in May 2010 and feedback on the proposals was invited. Some 72% of the respondents provided positive feedback and welcomed some private sector development to fund the works. However, following on from this there was a petition signed against the development proposed at the time.

- A6.2 In February 2011 the TDA updated Torquay Town Centre Community Partnership on the status of the proposals surrounding The Pavilion and Princess Promenade.

- A6.3 In October 2011 the TDA and the Nicholas James Group presented to the Tormohun Community Partnership. The proposals were now of focused on the Marina Car Park and The Pavilion: no development was suggested on Princess Promenade. A second proposal, for development of “the banjo” only was also presented at this meeting.
- A6.4 A questionnaire was provided at the October 2011 meeting, seeking feedback on the presentations. The results of the feedback are still being assessed by the Council’s consultation team but they will be made available in time for the Council meeting on 1st February 2012.
- A6.5 Throughout the consultation process the TDA has also run a number of press releases and the proposals have been covered by the Herald Express and Palm FM on several occasions.
- A6.6 Throughout the process there has been underlying support for some development in the area. The initial, larger scale proposals did raise concern about the building height and massing. These concerns have been adopted into later versions of the design. The current proposals represent the evolution of the design, taking on board previous concerns.
- A6.7 The TDA will continue to engage with and consult with the public regarding the latest design proposals.
- A6.8 The TDA has presented to the Harbour Committee in January 2011 and, in November 2011, the Torquay Harbour Users’ Groups and the Harbour Liaison Forum. The TDA will also be presenting the latest proposals to the Harbour Committee on 30th January 2012.
- A6.9 The agreement with the Nicholas James Group will be subject to further reports to the Development Control Committee and the receipt of detailed planning consent. Further public consultation will be carried out as part of the planning application.

A7. Are there any implications for other Business Units?

- A7.1 The Tor Bay Harbour Authority will be affected by the recommendations. It receives an income from one of the MDL leases. MDL pay a rent as a percentage of the turnover for the marina, Marina Car Park and rents it receives from other properties on the harbour estate. The Council’s Executive Head of Tor Bay Harbour Authority has advised that the Harbour Committee will wish to see their annual income protected. Any variations to MDL’s leases will therefore need to reflect this. The Executive Head of Tor Bay Harbour Authority is aware that the income to the Harbour Authority may be disrupted during the construction phase.

Appendices

Documents available in members’ rooms

None.

Background Papers:

The following documents/files were used to compile this report:

- Torbay Council Cabinet Report no. 194/2010
Torbay Council Cabinet Report no. 41/2011



Title: **Disposal of Public Amenity Area Forming part of 'Old Maid's Perch', Torbay Road, Torquay**

Public Agenda Item: **Yes**

Wards Affected: **Tormohun**

To: **Council**

On: **1 February 2012**

Key Decision: **Yes – Ref. I007128**

Change to Budget: **No**

Change to Policy Framework: **No**

Contact Officer: **Garth Millard**

☎ Telephone: **01803 207805**

✉ Email: **Garth.Millard@tedcltd.com**

1. What we are trying to achieve and the impact on our customers

- 1.1. To make a recommendation relating to the disposal of approx 87 sq m. of public land forming part of 'Old Maid's Perch', to facilitate the redevelopment of the former Palm Court Hotel site.
- 1.2 To report upon the public consultation process with the local Ward Members, Local Access Forum and Community Partnership

2. Recommendation(s) for decision

That the Mayor be recommended:

- 2.1 **That the area comprising approx 87 square metres lying to the eastern side of the public footpath leading from Shedden Hill Road to Torbay Road (as shown cross hatched on Plan EM1961) be sold to the adjoining proposed owner/developer of the former Palm Court Hotel to facilitate the development of the combined site in accordance with an Approved Planning Consent.**
- 2.2 **That the land be sold to the proposed owner/developer of the former Palm Court Hotel site at a valuation to be recommended by the District Valuer.**
- 2.3 **That the Chief Executive of the Torbay Development Agency be requested to advertise the intended disposal of the land in accordance with Section 123(1)(2a) of the Local Government Act 1972 .**

2.4 That subject to considering any objections raised pursuant to paragraph 2.3 and being satisfied that any objections raised should not stop the disposal, the Head of Commercial Services, in consultation with the Chief Executive of the Torbay Development Agency, be authorised to dispose of the land described in 2.1 subject to agreement of terms.

3. Key points and reasons for recommendations

3.1 The adjoining Palm Court Hotel site has been disused for a number of years, and the buildings on site were partly demolished following extensive fire damage.

3.2 This has left the site as a local eyesore which detracts from the visual appearance of this prominent part of the seafront.

3.3 Following extensive local Consultation with Local Members, Stakeholders and Community Partnerships, an application has been lodged by the proposed owner/developers of the former Palm Court Hotel site with Torbay Planners (under Application No P/2011/1080) to redevelop the former Palm Court Hotel site, an integral part of which includes a small area of Council land required to facilitate rear access to the site.

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

**Steve Parrock
Chief Executive - Torbay Development Agency**

**Charles Uzzell
Commissioner of Place & Environment**

Supporting information to Report

A1. Introduction and history

- A1.1 The Council wishes to encourage the physical and economic regeneration of The Bay and has highlighted the derelict former Palm Court Hotel site as a prominent and important site that requires urgent redevelopment. The appearance of the site, which was last used as a hotel several years ago, deteriorated further following extensive fire damage last year, which led to partial demolition of the remaining buildings on site.
- A1.2 The former Palm Court Hotel site has been the subject of a previous planning consent which included a similar area of Council land with the former owners stating that it was needed to ensure the viability of the scheme.
- A1.3 In February 2009 the then Executive Asset Management Board recommended a disposal of the Council's land, however the previous planning consent was not implemented and the owners went into Administration.
- A1.4 The current proposed owner/developers of the former Palm Court Hotel site have confirmed that the current application to redevelop the adjoining former Palm Court Hotel site requires a similar area of the Council's land on the ground, first and second levels of the proposed development, particularly off Shedden Hill Road at the second level for access purposes.
- A1.5 Following extensive consultation, planning application No. P/2011/1080 to develop the adjoining former Palm Court Hotel site was approved by the Planning Committee on 16 January 2012.
- A1.6 Views of the appropriate Ward Members, Community Partnership and Local Access Forum have been sought and their responses will be available to Members prior to a Decision being sought.

A2. Risk assessment of preferred option

Outline of significant key risks

- A2.1. Loss of a small area of public landscaping. However following construction of the new development, small areas of reinstated landscaping will still remain east of the present public footpath as identified in A5.2 below.
- A2.2. The present owner/developers have indicated that they expect the Council to convey the Council's land for a nominal sum to ensure viability of their scheme. If satisfactory terms for a disposal, based on the recommendations of the District Valuer as proposed in 2.2 above cannot be agreed, the adjoining development may not proceed.
- A2.3. Whilst the Council wishes to support the early development of the adjoining Palm Court site through the disposal of a small area of public land, it wishes to ensure any consent to develop the land will be implemented without undue delay. To that end completion of the sale would be subject to implementation and completion of the agreed planning consent.

A2.4. As a consequence of the consultation and at a later stage following an advertisement of the intended disposal of the land in accordance with Section 123(1)(2a) of the Local Government Act 1972, the public, Ward Members and/or Community Partnerships may object to the disposal. If such requests are made then such objections will be reported to the Mayor for consideration.

A2.5. There is a risk that title restrictions may limit or restrict the Council's ability to permit a sale or change of use of the asset. However initial indications are that this is not the case, and if present may be mitigated by providing appropriate and robust legal advice.

A3. Other Options

A3.1 We understand the proposed owner/developer of the former Palm Court Hotel site has agreed an option to acquire the site, subject to receipt of an approved planning consent. As identified in A2. above, if a consent is not forthcoming, or the terms for a disposal are unacceptable, the Council's land will not be sold.

A4. Summary of resource implications

A4.1 To comply with the Council's Financial Regulations an independent external valuation has been sought from the District Valuer.

A4.2 This minor disposal impacts on the Head of Commercial Services and the Asset Management Team within the Torbay Development Agency, although the Council will seek to recover all costs incurred in the disposal.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 There will be little direct impact, although the improvement of the adjoining derelict site, will improve the appearance of the area.

A5.2 Included in the terms of any disposal of the Council's land will be provision for the appropriate re-provision and subsequent maintenance of any soft landscaping not required for physical construction.

A6. Consultation and Customer Focus

A6.1 Initial consultation has taken place between internal officers (all services represented), Ward Members, the Community Partnership, Local Access Forum and at the Capital Programme and Asset Management Board.

A6.2 As this is a specific request for public land not previously deemed surplus to operational requirements, the asset will not be offered to the wider community through the Community Asset Transfer Policy Protocol.

A7. Are there any implications for other Business Units?

A7.1 Residents & Visitor Services have been consulted throughout the discussions with the Developer, and will advise on their requirements if a disposal is agreed as identified in A5.2 above.

Appendices: Plan EM1962 attached.

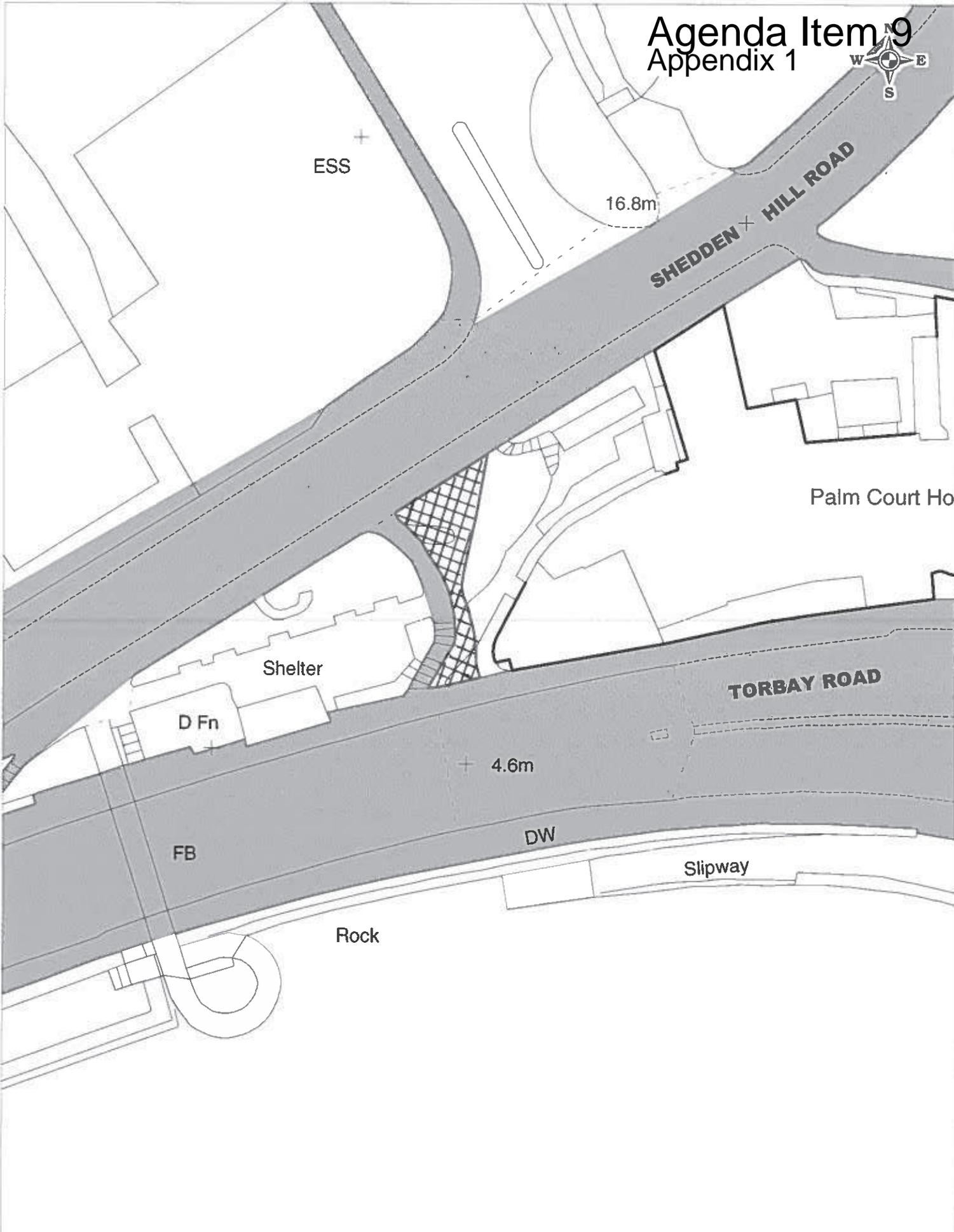
Documents available in members' rooms: None.

Background Papers:

The following documents/files were used to compile this report:

File ref : T0125ZZ. Land adjacent to Palm Court Hotel.

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Title: Land adj to Palm Court Hotel, Torquay

EM Plan No: EM1961
Asset No: T0125ZZ
Date: 30th January 2009
Scale: 1:500



TORBAY DEVELOPMENT AGENCY - ESTATES SERVICE

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Title: **Future Use of the Chestnut School Site**

Public Agenda Item: **Yes**

Wards Affected: **All Wards in Torbay**

To: **Council**

Key Decision: **Yes – Ref. I004127** On: **1 February 2011**

Change to Budget: **No**

Contact Officer: **Matthew Redwood** Change to Policy Framework: **No**

☎ Telephone: **208238**

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1. **What we are trying to achieve and the impact on our customers**

1.1.1 The proposal is to utilise the Chestnut primary site for a Primary Support Centre, a base for the Torbay Music service delivered via the Torbay Academy of Performing Arts (TAPA) and a possible site for the South Devon Gym Club.

1.1.2 This proposal will provide a co-ordinated base for a range of services to support primary age children with behaviour difficulties, a permanent base for the music service which serves the whole of Torbay and a potential site for South Devon Gym Club.

2. **Recommendation(s) for decision**

That the Mayor be recommended:

2.1 **That the use of the Chestnut school site for a Primary Support Centre and the base for the Torbay Music service (Torbay Academy of Performing Arts - TAPA) be approved.**

2.2 **That the Director of Children's Services be authorised to enter into discussions with The South Devon Gym club to discuss the Chestnut school site being the long term venue for the club.**

3. Key points and reasons for recommendations

- 3.1 Currently there is a range of support provision for primary aged pupils with behaviour issues across Torbay. These include the Pegasus centre, currently based in a mobile classroom on Paignton Community and Sports College (PC&SC) site, a primary aged Education Other Than at School (EOTAS) group based at Lupton House and some tailored individual provision based at a primary school. This provision is effective but would benefit from a permanent, shared base. Further support for primary aged pupils with behaviour difficulties could be developed to support schools and parents from a permanent base.
- 3.2 The Torbay music service currently stores many thousands of pounds of instruments in a temporary classroom on the Old Mill Road site (Old Cockington Primary school site). This storage is not secure and is damaging the instruments due to damp. TAPA also has great difficulty in finding appropriate rehearsal and performance space for its various music groups.
- 3.3 The South Devon Gym Club (SDGC) is a community based club providing gymnastics tuition and gymnastics facilities to people with a broad range of needs and abilities. The Club is in need of a suitable site for a long term base. The club is currently proposing to rent commercial premises at Yalberton having had to move from their existing premises. The aim would be to offer part of the Chestnut site as a site for a purpose built gymnastics hall which would give the club a permanent base.

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

Richard Williams
Director of Children's Services.

Supporting information

A1. Introduction and history

A1.1 Chestnut primary school closed in July 2011. The premises are a 1970's building which comprises a six classroom building, with a large hall and ancillary accommodation. The building is in generally good repair and upkeep. It is attached to the Chestnut Children's centre build within the last 5 years. The school site has good provision of parking and access. There is a large hard play area and significant grassed grounds. The site is used on a contractual agreement with Indigos - an outdoor based activity group. Elements of the site are difficult to use due to steep slopes and changes in gradient.

At the Council meeting on 13th July 2011 the closure of Chestnut school was agreed with the amendment that the site be 'retained for educational and community uses where possible'

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 An area of concern is the increasing number of primary aged pupils showing very significant levels of behaviour difficulties at an early age across the primary school age group. To address this the Pegasus provision was set up as a jointly funded and managed provision between the Local Authority and primary schools.

Pegasus works in partnership with primary schools to provide short term interventions for children who are experiencing social, emotional or behavioural difficulties through delivering a curriculum based on activities to develop emotional health and well-being in small groups. The children attend for two half day sessions a week for approximately 12 weeks. Weekly reports on each child's progress and shared with their schools along with some suggested follow up work to be completed in school. A number of other activities operate from Pegasus – an Outreach Team and Rapid Response; advice sessions for schools; parenting sessions; and training for school based staff. There are two teachers and three support workers attached to Pegasus. Currently Pegasus is based on the Borough Road site of PC&SC in a mobile classroom. Transport costs to the Pegasus provision remains the responsibility of the 'home school' although the Home to School Transport section often coordinate the provision of the transport.

The EOTAS primary group at Lupton is designed for children who for emotional, social or behavioural reasons are not managing school life. It provides a primary academic curriculum but also tries to assess and address the behaviours which made it difficult for the child to maintain school based learning. The children at Lupton are taught in a group of 6. Whilst in the group each child will have a learning programme tailored to their individual needs. It provides full time education for its pupils and a child may be at Lupton for up to one year depending upon his/her progress and the availability of a suitable school place. The group takes permanently excluded children; children with statements of Special Educational Need; and those unable to maintain a place in either a special or mainstream school. It currently operates from premises at Lupton

House in Brixham. There is one teacher and two Teaching Assistants attached to the Lupton group

The purpose behind a coordinated primary support centre is to improve the effectiveness of the work with a small but challenging group of primary pupils by ensuring that they can access support early, that it is targeted at the needs of each individual and that it supports children in returning to full time academic education in mainstream settings. The centre will provide a seamless continuum of support. It will reduce instances where professionals are needlessly duplicating activity while some children and young people are unable to receive support and remain on waiting lists for services.

The Primary Support Centre would need to be registered with the Department for Education and will be subject to the same regulations as a school for example inspection by Ofsted. The Primary Support Centre will have a teacher in charge, management committee and a delegated budget funded from the Dedicated School Grant (DSG) in a similar way to a school. Provision for Pegasus and EOTAS is already funded from the DSG as were the premises costs for Chestnut primary school so this would not be placing any additional budget pressures on the DSG.

Torbay Council (through the music service known as Torbay Academy of Performing Arts) is in possession of a large quantity of musical instruments, including strings, woodwind, brass and percussion. The value of these instruments is many thousands of pounds.

Some of the larger and newer instruments, which are used on a more regular basis, are kept in Oldway Mansion and remain in a good condition. Many instruments are stored in a temporary classroom on the old Cockington School site on Old Mill Road. These instruments include many woodwind instruments. Woodwind instruments have a lot of moving parts including silver plate and corking on the keys.

Unfortunately, the temporary classroom has shown itself to be unsuitable for instrument storage for a variety of reasons:

1. It is likely that Oldway Mansion will be transferred to a new owner and therefore the very large, bulky instruments (timpani, bass drum, glockenspiels) will have to be moved elsewhere. The Old Mill Road site does not allow easy access for large instruments, it would require professional 'movers' every time they needed to be used.
2. The Old Mill Road site is insecure. Since the Old Mill Road site has been used by TAPA, there have been a number of break-ins.
3. The Old Mill Road site is damp and cold. This damp and cold atmosphere is having a negative impact on the condition of the instruments. Most of the woodwind instruments' corking has been ruined, rendering the instruments unplayable. The cost of replacing this corking can run into hundreds of pounds per instrument. Brass instruments are becoming rusty, stringed instruments are warping and percussion instruments are losing elasticity.

TAPA faces significant problems finding space to run workshops and rehearsals, particularly during the day at weekends and during the working week. Oldway Mansion is used for evening rehearsals, but not available during office hours or

at weekends due to the noise factor when people are working or ceremonies are taking place. There is massive potential for the music service to offer activities at weekends and during school holidays which could, in time, be revenue-raising.

If Chestnut were to become the permanent site for TAPA it would resolve the instrument storage issues and give them a base for performance and rehearsal after school, at weekends and holiday periods. It would also give access to an ICT suite which will allow for further development of the service.

TAPA is funded via a direct ring fenced grant from the DfE and money that is currently being used to hire premises would be available for the maintenance and development of the Chestnut site.

The South Devon Gym Club gets significant numbers of children involved in a sport that schools generally cannot cater for given the level of investment needed in the specialist facilities needed. The club does outstanding work with children and adults with learning difficulties and it also supports many gymnasts who aspire to compete at elite levels. The proposal is to talk to the club with the aim of offering them the facility for building a purpose built facility on the Chestnut site. Any capital funding would have to be accessed independently by the club and there can be no contribution from Children's Services capital funding and/or the Council's capital pot.

The club requires a dedicated building due to both the heavy usage pattern and also the nature of the equipment used. These factors prohibit SDGC from considering flexible use of shared facilities. The club is very well supported and it is understood that it operates profitably. The club and the Sports Council advise that SDGC would be able to sustain a level of loan repayment necessary to fund all (or a significant proportion) of the build cost. It is the presumption of this report that any building would be provided by self generated funding via the South Devon Gym Club/Sports Council and would have no contribution from Children's Services capital funding and/or the Council's capital pot.

The gymnastics use could complement the proposed use for the site outlined in this paper or as a school site in the future. The club has yet to give formal consideration to the proposed relocation or to prepare a business case or other due diligence. The key trustees of the club have in principle an interest in the site.

If the club is interested in the site then another report will come back to Members to seek approval for the granting of a lease for the site.

A2.2 Remaining risks

Whilst Chestnut school has closed and the school site is not needed for the provision of primary school places at this time it would be sensible to retain the integrity of the site so that if in future the birth rate rises in Brixham then the provision of a larger school on the Chestnut site is a possibility.

It is likely that the gym club would require a building of about 600m² with an eaves height of about 6 metres. This is not an insignificant sized building and care would need to be taken that its footprint does not impede the possible re-use of the school site for educational purposes.

A3. Other Options

A3.1 The option of moving another school to the Chestnut site was explored but was not pursued as it was not considered appropriate to do so.

A3.2 Another option would be to explore the possibility of providing an Innovation Centre at the school site. Torquay and Paignton have such centres to help businesses grow but this facility is lacking in Brixham.

A4. Summary of resource implications

A4.1 There are resource implications of this proposal for the running and maintenance of the building but these will be covered from the DSG as was the building when it was a primary school.

There may be potential additional home to school transport costs for transporting children to the Primary Support Centre. It is not possible to say how much these will be as the children attending Lupton will be from different addresses in the future. However, as an indication in January 2012, 2 pupils live in Paignton and 7 live in Torquay. These pupils are transported in one large taxi with one pupil currently being a lone rider on a taxi. The cost of extending one of these routes is likely to be between £950 - £1,900 per school year. Transport to the Pegasus provision will remain as part of the schools responsibility.

Early intervention to enable primary aged children to continue and thrive in their school settings may have significant but an unquantifiable reduction on potential independent school fees, alternative special provision or expensive bespoke educational packages in the secondary phase.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 None

A6. Consultation and Customer Focus

A6.1 None

A7. Are there any implications for other Business Units?

A7.1 None

A8 Appendices

A8.1 None

A9 Documents available in members' rooms

A9.1 None

A10 Background Papers:

The following documents/files were used to compile this report:

None



Title: **Members' Allowances – Recommendations of Independent Remuneration Panel**

Public Agenda Item: **Yes**

Wards Affected: **All Wards**

To: **Council** On: **1 February 2012**

Key Decision: **No**

Change to Budget: **Yes** Change to Policy Framework: **No**

Contact Officer: **Teresa Buckley**
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1. What we are trying to achieve and the impact on our customers

1.1 To ensure that Members receive allowances which reflect the level and time commitment required to fulfil their roles and that the scheme accords with the relevant legislation and guidance.

2. Recommendation(s) for decision

2.1 That the Council considers the recommendations of the Independent Remuneration Panel set out in paragraphs 7(a) to (aii) of Appendix 1.

2.2 That, in light of decisions made on the recommendations in 2.1. above, the Governance Support Manager be requested to bring the Members' Allowances Scheme up to date and to ensure that approved duties are clear.

3. Key points and reasons for recommendations

3.1 The Independent Remuneration Panel met on 14 and 16 November 2011 to review the scheme of allowances. The terms of reference of the Panel were as follows:

1. To review the level of basic allowance payable to all members.
2. To review the responsibilities and duties that should lead to the payment of a special responsibility allowance and the level of any such allowance.
3. To review the level of allowance payable to co-opted members and the Chairman of the Standards Committee.

4. To review the duties for which travelling and subsistence allowances should be payable, the level of any such allowances and the method for payment.
 5. To review the level of allowance payable for childcare and dependent care.
 6. To consider whether members should be permitted to join the Local Government Pension Scheme.
 7. To review the method adopted for the up-rating of allowances on an annual basis.
 8. To consider whether the allowances should be backdated to the beginning of the financial year in the event of the scheme being amended.
- 3.2 The report of the Independent Remuneration Panel is set out at Appendix 1 to this report.

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

**Caroline Taylor
Commissioner of Communities and Local Government and Deputy Chief
Executive**

Supporting information

A1. Introduction and history

A1.1 The Local Government and Housing Act 1989 (as amended by the Local Government Act 2000) makes provision in relation to Members allowances. The Local Authorities (Members' Allowances) (England) Regulations 2003 were made under these provisions. The Regulations provide that it is for each Local Authority to decide its scheme and the amounts paid under that scheme.

A1.2 All Councils are required to establish an independent panel to provide advice on its scheme and the amounts to be paid. Councils must convene a panel before any changes are made to their allowances scheme and they must have regard to the panel's recommendations before setting a new or amended allowances scheme.

A1.3 The Independent Remuneration Panel last undertook a review of the Members' Allowances Scheme in 2007 following the local elections. It is recommended that Panel's should meet at least once every four years to review members' allowances schemes to ensure that they are fit for purpose and continue to reflect the needs of the Authority. The Panel therefore undertook a comprehensive review of the Members' Allowances Scheme in November 2011.

A1.4 The Panel met on 14 and 16 November 2011 to review the allowances to ensure that they are still fit for purpose. In reviewing the scheme, the Panel had regard to the statutory guidance in relation to the allowances together with the job descriptions for the elected Members, the elected Mayor and other positions of special responsibility. The Panel also took into account the benchmarking data from mayoral, other unitary authorities and local Devon Authorities and the result of a survey undertaken with members. A number of Members met the Panel to express their views on allowances and to respond to questions put to them by the Panel.

A1.5 The Panel's report was published on the Councils website on 21 December 2011. The Council is now required to consider the report of the Independent Remuneration Panel on its review of Members' Allowances for Torbay Council set out in Appendix 1 to this report.

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 There are no significant risks. However, if Members are not provided with realistic allowances to enable them to carry out their representative and democratic duties this may act as a disincentive to the proper exercise of their duties and to them remaining Councillors.

A3. Other Options

A3.1 It is for the Council to determine to what extent it wishes to have regard to the recommendations made by the Independent Remuneration Panel.

A4. Summary of resource implications

- A4.1 If the recommendations of the Panel are accepted in their entirety, the full year cost of the allowances scheme would be £485,810 (with effect from 1 April 2012) compared to the cost of the current Scheme for 2011/2012 £475,256.
- A4.2 If the efficiencies are implemented (£13,750) (e.g. members providing their own broadband and stationery rather than having this provided by the Council) the cost of the Scheme would reduce to £472,060, which is a saving of £3,196.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

- A5.1 None

A6. Consultation and Customer Focus

- A6.1 The 2003 Regulations place certain duties on the Council in connection with publicising any scheme of allowances and the actual allowances paid. In particular, the Council must publish a notice in at least one newspaper of any scheme which has been adopted. Guidance recommends that local authorities should publicise more widely than the statutory minimum requirement.
- A6.2 The Panel's Report was published on the Council's website on 21 December 2011. We issued a press release advising that the Panel's report was available and the Herald Express ran an article on the Report in their website and newspaper on 29 December 2011.

A7. Are there any implications for other Business Units?

- A7.1 No

Appendices

- Appendix 1 A Review of Members' Allowances for Torbay Council – The Sixth Report by the Torbay Independent Remuneration Panel

Documents available in members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

None

A Review of Members Allowances for Torbay Council

The Sixth Report by the Torbay Independent Remuneration Panel

Members:

Bryony Houlden, Chairwoman
Linda Lear
Debbie Franklin

November 2011

Report of the Independent Remuneration Panel to Torbay Council – November 2011

Context statement and recommendations

1. The Panel was asked to undertake a fundamental review of the Members' Allowances Scheme ('the Scheme') in light of the new 'inclusive' style of working introduced by the Mayor in May 2011 and to report to the Council to enable members to consider their recommendations as part of the budget setting process for 2012/2013.
2. The Panel is aware that elected members will be making brave and challenging decisions about funding over the next few years. While affordability of the outcome of the Panel's review is an issue for the Council to consider, the Panel appreciated the sensitivity of making any changes to the members' allowances in the current economic climate and balanced this with the need to propose a scheme which is both fair and easy to understand.
3. The Panel had particular regard to the cross party working amongst members. They noted how much this style of working is valued across the authority and the additional duties many councillors have taken on to ensure that the current system of governance is effective. This has particularly been taken into account when the Panel was forming its recommendations.
5. The Panel has been concerned to ensure that, as far as possible, the Scheme does not create barriers to candidates standing for elected office. In this context the Panel are recommending an allowances regime that they believe is fair and reflects the right balance in terms of the general and significant additional roles that councillors perform in Torbay and where relevant, on the regional and national stage, and which fits the present economic climate.
6. The overall cost of the Panel's proposals in relation to the Basic Allowance is £310,800. The cost of the proposals for the Special Responsibility Allowances is £175,010. Therefore, the total cost of the proposed Scheme is £472,060 compared to the current year's Scheme of £475,256 which is a saving of £3,196 if the Panel's identified efficiencies of £13,750 are implemented.
7. The following recommendations will be presented to the Council on 1 February 2012 for consideration (a full explanation of the Panel's conclusions leading to these recommendations is set out in the body of this report):
 - (a) that the Basic Allowance for all members should be £8,400 (which includes £500 to cover the cost of telephone charges, broadband, stationery, postage, subsistence within Torbay, travel on non-approved duties etc.);
 - (b) that the Council be recommended to stop providing broadband, stationery and subsistence for duties within Torbay for members and that members make their own arrangements and meet these costs from their Basic Allowance;

- (c) that the rates for travel be the same as those set in the Torbay Council Expenses Policy and be paid for all approved duties (e.g. 40p for car, 24p for motorbike and 20p for bicycle per mile);
- (d) that subsistence be paid in accordance with the rates and rules set out in the Torbay Council Expenses Policy for approved duties outside of Torbay only (e.g. breakfast – depart from home before 7.30 a.m. £6.22; lunch – absent from normal place of work between 11.30 a.m. and 2.15 p.m. £7.35; and evening meal – not home before 6.30 p.m.);
- (e) that the following be identified as approved duties for the purpose of travel (within and outside Torbay), subsistence (outside Torbay) and childcare and dependent carers' allowances:
 - (i) attendance at meetings as a duly appointed member of:
 - (a) the Council and any committee of the Council;
 - (b) any sub-committee appointed by a committee;
 - (c) the Executive or committee of the Executive (if appointed);
 - (d) working parties;
 - (e) scrutiny review panels;
 - (f) policy development groups;
 - (g) any outside organisation and their sub-groups appointed by the Council or the Mayor, provided that the organisation does not pay any such expenses (these are listed on each Councillor's details page on the Council's website at www.torbay.gov.uk/DemocraticServices/mgMemberIndex)
 - (ii) attendance at site visits for planning or licensing purposes or as part of overview and scrutiny;
 - (iii) attendance at member development sessions;
 - (iv) attendance at seminars and all member briefings organised by Torbay Council, except for those held immediately prior to a meeting of Council;
 - (v) attendance at conferences, subject to prior approval by the relevant Group Leader and Governance Support Manager and funding for the conference being available (in accordance with the Local Protocol for the Mayor and Political Groups);
- (f) that the co-optees allowance be frozen at £114 and that this will include expenses for travel and subsistence;
- (g) that the co-optees allowance for the Chairman/woman of the Standards Committee be frozen at £573 and that this will include expenses for travel and subsistence;
- (h) that the Special Responsibility Allowances (SRA) be set as a percentage of the Mayor's SRA (shown in brackets under paragraphs (i) to (q)) and that Members may claim only one SRA in addition to their basic allowance;
- (i) that the SRA for the Elected Mayor be set at £50,000 (100%);

- (j) that the SRA for the Deputy Mayor with Portfolio be £15,000 (30%);
- (k) that the SRA for the Deputy Mayor without Portfolio be £8,000 (16%);
- (l) that the SRA for the Executive Lead with the Children, Adult or Finance Portfolios be £8,000 (16%);
- (m) that the SRA for the Executive Lead with any other Portfolio be £6,500 (13%);
- (n) that the SRA for the Overview and Scrutiny Co-ordinator be £6,500 (13%);
- (o) that the SRA for the Scrutiny Lead for Health/Chair of the Health Scrutiny Board be £3,250 (6.5%);
- (p) that the SRA for the other Scrutiny Leads be £3,000 (6%);
- (q) that the SRA for the Chairman/woman of the Development Management Committee be £6,500 (13%);
- (r) that the SRA for the Chairman/woman of the Licensing Committee be £3,250 (6.5%) and that they be expected to Chair at least 15 meetings of the Licensing Sub-Committees per year;
- (s) that the SRA for the Chairman/woman of the Licensing Sub-Committees be as follows:

15+ meetings	£1,500 (3%);
10-14 meetings	£1,000 (2%);
5-9 meetings	£500 (1%);
- (t) that the SRA for the Chairman/woman of the Council be £4,000 (8%);
- (u) that the SRA for the Chairman/woman of the Harbour Committee be £3,000 (6%);
- (v) that the SRA for the Chairman/woman of the Audit Committee be £3,000 (6%);
- (w) that the SRA for the Leaders of Political Groups be £325 per member (0.65%);
- (x) that the Basic Allowances, Special Responsibility Allowances and Co-optees Allowances be indexed from 1 April 2013 to the annual local government pay percentage increase as agreed by the National Joint Committee for Local Government Services. The travel and subsistence allowances will be up-rated as and when the Council's Expenses Policy is adjusted and the whole allowances Scheme will be reviewed by no later than 2015;
- (y) that the Council is recommended to introduce performance management arrangements for the Group Leaders/Mayor to assess the performance of all Members and in particular those in receipt of the following SRAs: the Deputy Mayor, Executive Leads, Overview and Scrutiny Co-ordinator and Scrutiny Lead Members;

- (z) that the Panel confirmed its previous view that membership of the Local Government Pension Scheme for members should not be recommended. However, this is subject to guidance being issued on the National Auto Enrolment Scheme which may require Councils to allow members to join a pension scheme. The Panel recommends that if the Council is required to allow members to join a Scheme it should be the Local Government Pension Scheme.
- (ai) that the rates for childcare and dependent carers' allowances remains the same, namely equal to the cost incurred when a carer has been engaged to enable a member or co-opted member to carry out an approved duty;
- (aia) that the Executive Head of Business Planning be requested to approach Her Majesty's Revenue and Customs (HMRC) to see if the Council could get a dispensation for income tax relief for 'household expenses' similar to that introduced by North Tyneside Council and if such dispensation is granted this be included within the Members' Allowances Scheme.

Report of the Independent Remuneration Panel to Torbay Council – November 2011

Introduction

1. Under the Local Government (Members' Allowances) (England) Regulations 2003, Torbay Council, like all local authorities, has set up an Independent Remuneration Panel to make recommendations to it on members' allowances (Councillors and the Elected Mayor). All Councils are required to convene their Panel before they make any changes or amendments to their Scheme of Allowances and they must 'pay regard' to the Panel's recommendations before setting a new or amended Members' Allowances Scheme.
2. Following an open recruitment process, the Panel was appointed by the Chief Executive in October 2011 and comprises the following:
 - Bryony Houlden (Chairwoman), Chief Executive of South West Councils;
 - Linda Lear, experienced panel member from a voluntary and community background; and
 - Debbie Franklin, who is a chartered accountant.
3. The Panel would like to thank the officers for their hard work in organising the meetings; collating information and providing factual advice. In particular the Panel would like to thank Teresa Buckley but also June Gurry and the Chief Executive for their support throughout the process.
4. The Panel would also like to express its appreciation to the Mayor and all the councillors who gave evidence and submitted questionnaire returns. This has given the Panel a sound evidence base for its considerations. The Panel was impressed by the strong commitment to serving the community of Torbay expressed by the Mayor and other members and noted the considerable amount of work that they were undertaking.

Primary Purpose of the Review

5. The primary purpose of the fundamental review of the Members' Allowances Scheme was to ensure that the Scheme remains relevant to Torbay Council in the present climate for local government and reflects the change in governance arrangements introduced by the newly Elected Mayor in May 2011.

Methodology

6. The Panel met on 14 and 16 November 2011 to carry out its review of the Scheme.
7. All members were invited to submit comments on the Members' Allowances Scheme via a questionnaire. 24 out of 37 members initially responded and three additional written responses were received and considered by the Panel.

8. The Panel met with the Mayor (Gordon Oliver), the Deputy Mayor (Councillor David Thomas), the Leader of the Liberal Democrat Group (Councillor Darling), the Leader of the Non-Coalition Group (Councillor Morey), the Overview and Scrutiny Co-ordinator (Councillor John Thomas) and the Executive Lead for Children, Schools and Families (Councillor Lewis). The Executive Lead for Finance and Audit (Councillor Tyerman) was invited to meet the Panel, but was unavailable and provided a written representation to the Panel.
9. A telephone survey of co-opted members and the Chairman of the Standards Committee was also carried out to seek their views on the allowances paid to them.
10. The Panel considered the following background documents:
 - Terms of reference of the Panel;
 - Current Members' Allowances Scheme;
 - New Constitutions: Guidance on Regulation for Local Authority Allowances;
 - Structure charts and job descriptions;
 - 2005 and 2007 Independent Remuneration Panel Reports;
 - Review of Members' Allowances Scheme for 2011/12 – Background Issues for Consideration;
 - Torbay Council Expenses Policy (this is the officers expenses policy);
 - Mileage and subsistence comparisons for 2009/10, 2010/11 and 2011/12;
 - Councillor use of resources benchmarking responses collated by Plymouth City Council;
 - Members' Allowances comparison for the past four years;
 - Benchmarking data for Mayoral Authorities, Local Devon Authorities and Unitary Authorities; and
 - Information on National Insurance Contributions provided by Debbie Franklin.

Basic Allowance

11. The Panel heard from members about the change in the way the Council operates with all Mayoral decisions being taken at full Council meetings following the debate and recommendation by all members. Members from all parties are also involved in meetings of Policy Development Groups, which are open to all members to attend and contribute. This more inclusive style of governance was introduced by the Mayor in May 2011 and has led to greater member involvement and participation in developing ideas and contributing to decisions.
12. The Panel received evidence on: the additional support and associated costs for the Council to provide broadband connections; subsistence for meetings inside of Torbay; and stationery which was currently provided by the Council. It recognised that most people have their own broadband connections at home and it is more cost effective for members to install their own broadband lines. Previously the Scheme has reflected the officers' expenses scheme which no longer permits officers to claim subsistence for meetings within Torbay. Less than half of the members have broadband or stationery provided by the Council and only seven members have claimed subsistence expenses so far this year.
13. The Panel noted that it cost approximately £1,500 per year in staff time to process members travel and subsistence claims as officers currently check that each claim is an approved duty in accordance with the Scheme and attendance at meetings for audit purposes. The Panel felt that this was an onerous task and suggested that the

Governance Support Team review its process to only undertake spot checks of the expenses claims and reports to their Group Leader any councillor who regularly submits inaccurate or inappropriate claims (or the Monitoring Officer for independent members).

14. The Panel considered whether it would be appropriate, in light of the cost of processing claim forms, to provide a lump sum to cover the cost of travel within Torbay. However, following investigation it was clear that any lump sum would be subject to tax and national insurance contributions and would not be cost effective for the Council or the member concerned. The Panel therefore felt that it was appropriate to continue using the rates for travel set out in the Council's Expenses Policy as this meant that members would receive the same rates as officers, although members would be permitted to travel within Torbay without regard to the 'normal place of work' rules. This was because not all members have a regular place of work or permanent office base.
15. The Panel noted that there was often confusion from members as to what constituted an 'approved duty' and suggested that the list be simplified to ensure clarity.
16. The Panel acknowledged the additional workload for all members under the new style of governance and commended members for their commitment and contribution. However, they felt that savings could be made both in terms of expenditure and officer time if the Council chose to stop providing a broadband connection, subsistence for duties within Torbay and stationery and provided an element within the Basic Allowance to cover such costs.
17. The Panel noted that other authorities already include the cost of telephone charges, broadband charges, postage, stationery and minor office equipment within their Basic Allowance.
18. The Panel felt it was important to be clear what is intended to be covered by the Basic Allowance. It was felt that the following should be included in the Scheme:

"The Basic Allowance is intended to recognise the time commitment of members of the Council on constituency duties and costs relating to the use of the members' home, telephone charges, broadband charges, stationery (including printer cartridges), postage, office equipment, subsistence for duties within Torbay and travel for non-approved duties."

19. The average Basic Allowances across different groupings of authorities are:

Mayoral authorities	£8,429 (these ranged from £5,767 to £12,715)
Unitary authorities	£8,884 (these ranged from £7,109 to £11,416)
Devon County Council	£10,970
Plymouth City Council	£10,044.84

Recommendations:

- (a) **that the Basic Allowance for all members should be £8,400 (which includes £500 to cover the cost of telephone charges, broadband, stationery, postage, subsistence within Torbay, travel on non-approved duties etc.);**

- (b) that the Council be recommended to stop providing broadband, stationery and subsistence for duties within Torbay for members and that members make their own arrangements and meet these costs from their Basic Allowance;
- (c) that the rates for travel be the same as those set in the Torbay Council Expenses Policy and be paid for all approved duties (e.g. 40p for car, 24p for motorbike and 20p for bicycle per mile);
- (d) that subsistence be paid in accordance with the rates and rules set out in the Torbay Council Expenses Policy for approved duties outside of Torbay only (e.g. breakfast – depart from home before 7.30 a.m. £6.22; lunch – absent from normal place of work between 11.30 a.m. and 2.15 p.m. £7.35; and evening meal – not home before 6.30 p.m. £10.17);
- (e) that the following be identified as approved duties for the purpose of travel (within and outside Torbay), subsistence (outside Torbay) and childcare and dependent carers' allowances:
 - (i) attendance at meetings as a duly appointed member of:
 - (a) the Council and any committee of the Council;
 - (b) any sub-committee appointed by a committee;
 - (c) the Executive or committee of the Executive (if appointed);
 - (d) working parties;
 - (e) scrutiny review panels;
 - (f) policy development groups;
 - (g) any outside organisation and their sub-groups appointed by the Council or the Mayor, provided that the organisation does not pay any such expenses (these are listed on each Councillor's details page on the Council's website at www.torbay.gov.uk/DemocraticServices/mgMemberIndex)
 - (ii) attendance at site visits for planning or licensing purposes or as part of overview and scrutiny;
 - (iii) attendance at member development sessions;
 - (iv) attendance at seminars and all member briefings organised by Torbay Council, except for those held immediately prior to a meeting of Council;
 - (v) attendance at conferences, subject to prior approval by the relevant Group Leader and Governance Support Manager and funding for the conference being available (in accordance with the Local Protocol for the Mayor and Political Groups);

Co-opted Members

20. The Panel noted that the overall feeling of the co-opted members and Chairman of the Standards Committee was that they did the job on a voluntary basis and that the allowance was a token to help cover their expenses. None of the members surveyed claimed any other expenses.

21. The Panel felt that whilst the two co-optees' allowances were fairly modest they did help to cover the costs of attending meetings and that they should continue to be paid at the current rate, but that they would be expected to cover the cost of travel and subsistence expenses. The co-optees would still be entitled to claim childcare and dependent carers' allowances.

Recommendations:

- (f) **that the co-optees allowance be frozen at £114 and that this will include expenses for travel and subsistence;**
- (g) **that the co-optees allowance for the Chairman/woman of the Standards Committee be frozen at £573 and that this will include expenses for travel and subsistence;**

Special Responsibility Allowances

22. Special Responsibility Allowances (SRAs) are payable at the Council's discretion to those members who have significant additional responsibilities over and above the generally accepted duties of a councillor. Members may only claim one SRA in addition to their Basic Allowance. The Panel felt that it should be made clear what the SRAs should cover and suggested that the following be added to the Scheme:

"Special Responsibility Allowances are intended to cover the cost of attending additional meetings (e.g. meetings with officers, briefings and network meetings) required as part of the role and the ancillary costs of attending such meetings (e.g. travel, subsistence, printing and stationery costs)."

23. The Panel's 2007 report suggested that the SRAs should be based on a percentage of the Mayor's allowance as this role was seen as the most significant full-time role. The Council did not accept the recommendations of the Panel due to the economic climate at the time as they did not feel it was appropriate to increase the allowances, therefore the current allowances are set as a percentage of the Basic Allowance. Despite this, the Panel still considered that it was more appropriate to base the SRAs on the Mayor's allowance.

Recommendation:

- (h) **that the Special Responsibility Allowances (SRA) be set as a percentage of the Mayor's SRA (shown in brackets under paragraphs (i) to (g)) and that members may only claim one SRA in addition to their basic allowance;**

Elected Mayor's Allowance

24. The Panel reflected on the new working arrangements where the Mayor takes all executive decisions at meetings of the full Council following a recommendation voted on by all members. Whilst the Panel acknowledged that the Mayor was ultimately the decision maker, in such cases he was guided by the whole Council. In recognition of the increased role of all members in recommending executive decisions to the Mayor and in light of comments from the Mayor himself about his role and commitment to public service and his concerns about the Torbay economy and the authority's budget,

the Panel recommended that the Mayor's SRA be slightly reduced from £52,747 for £50,000.

25. The Panel had regard to the benchmarking information which showed that the SRA for the Elected Mayor was already the lowest of all Mayoral Authorities with the average being £63,796, however, they felt that this was appropriate given the size and demographics of Torbay.

Recommendation:

- (i) that the SRA for the Elected Mayor be set at £50,000 (100%);**

Deputy Mayor and Executive Leads

26. The Panel received evidence on the differing roles of the Deputy Mayor and Executive Leads. The Panel felt that due to the statutory responsibility of the Executive Leads with Portfolios for Children, Adults and Finance and the significantly higher level of accountability and responsibility of these Portfolios they should receive a higher SRA than the other Executive Leads. They also recognised the additional responsibilities of the Deputy Mayor which could be appointed with a Portfolio or without a Portfolio.
27. The benchmarking data showed that the current SRA for Deputy Mayor was higher than average with the average being £17,406. The Panel felt that there should be different allowances for the Deputy Mayor depending on whether or not he/she had a Portfolio. The Panel felt that the percentages, recommended below, when compared to the Mayor's allowance were a fair reflection of the differing roles of the Deputy Mayor and Executive Leads.

Recommendations:

- (j) that the SRA for the Deputy Mayor with Portfolio be £15,000 (30%);**
- (k) that the SRA for the Deputy Mayor without Portfolio be £8,000 (16%);**
- (l) that the SRA for the Executive Lead with the Children, Adult or Finance Portfolios be £8,000 (16%);**
- (m) that the SRA for the Executive Lead with any other Portfolio be £6,500 (13%);**

Overview and Scrutiny

28. The Overview and Scrutiny Co-ordinator currently receives an SRA of £9,798 which is the same as an Executive Member who has collective decision making powers. This was originally set when the Council had a collective decision making Executive as it was felt the role of the Overview and Scrutiny Co-ordinator was on par with that of an Executive Member.
29. The Council had previously set three levels of Executive Lead (a) individual decision making - £13,064; (b) collective decision making - £9,798; and (c) advisory - £6,532. As mentioned in paragraphs 25 and 26 above the Panel has reviewed the SRAs for Executive Leads and has proposed new rates. The Panel felt that the SRA for the Overview and Scrutiny Co-ordinator should be the same as the Executive Lead with

any other Portfolio (£6,500). This is closer to the average allowance paid in other Unitary authorities e.g. £6,142.

30. The Council has four Scrutiny Leads: People, Place, Business and Health. All four Scrutiny Leads are expected to play an active role in leading on the scrutiny of their respective areas and chairing review panels. The Scrutiny Lead for Health also chairs the Health Scrutiny Board, which is a sub-committee of the Overview and Scrutiny Board. The Panel recognised the additional responsibility of the Scrutiny Lead for Health and suggested that they be paid an SRA on par with the Chairman/woman of the Licensing Committee (£3,250). The Panel felt that the other Scrutiny Leads should be paid an SRA on par with the Chairman/woman of the Audit and Harbour Committees (£3,000).

Recommendations:

- (n) that the SRA for the Overview and Scrutiny Co-ordinator be £6,500 (13%);**
- (o) that the SRA for the Scrutiny Lead for Health/Chair of the Health Scrutiny Board be £3,250 (6.5%);**
- (p) that the SRA for the other Scrutiny Leads be £3,000 (6%);**

Development Management Committee

31. The Panel reviewed the SRA for the Chairman/woman of the Development Management Committee and felt that due to the level of responsibility and public involvement the SRA should be on par with the Overview and Scrutiny Co-ordinator and Executive Leads with any other Portfolio.

Recommendation:

- (q) that the SRA for the Chairman/woman of the Development Management Committee be £6,500 (13%);**

Licensing

32. The Panel reviewed the SRA for the Chairman/woman of the Licensing Committee and Licensing Sub-Committee. The Panel noted that, although the Licensing Committee only met twice a year, it was usual for the Chairman/woman of the Committee to chair approximately 50% of the meetings of the Licensing Sub-Committee with the Vice-Chairman and possibly another member of the Committee chairing the remaining meetings of the Sub-Committee. Last year there were 27 meetings of the Licensing Sub-Committee. The Panel felt that the Chairman/woman of the Licensing Sub-Committee should be paid an SRA on par with the Scrutiny Lead for Health and that they should be required to chair at least 15 meetings of the Licensing Sub-Committee per year.
33. The Panel felt that the other Chairmen/woman of the Licensing Sub-Committee should continue to be paid an SRA depending on the number of meetings they chair.

Recommendations:

- (r) that the SRA for the Chairman/woman of the Licensing Committee be £3,250 (6.5%) and that they be expected to Chair at least 15 meetings of the Licensing Sub-Committees per year;**
- (s) that the SRA for the Chairman/woman of the Licensing Sub-Committees be as follows:**

15+ meetings	£1,500 (3%);
10-14 meetings	£1,000 (2%);
5-9 meetings	£500 (1%);

Council

- 34. The Panel heard evidence regarding the role of the Chairman/woman of the Council both in terms of chairing the Council meetings and civic duties. With the new arrangements the Council meetings are lasting approximately six and half hours and are very technical to chair. The Panel therefore considered that the SRA should be increased to reflect this additional responsibility.
- 35. Outside of the Members' Allowances Scheme the Chairman/woman of the Council also receives a civic allowance of £3,096 per annum which is paid in monthly instalments, plus £1,600 which is held and administered by the Governance Support Officer. The Vice-Chairman/woman of Council also receives a civic allowance of £1,000 per annum. This is intended to cover the additional cost of outfits, purchase of raffle tickets, gifts to charity and helping with general expenses relating to the ceremonial aspect of the role.

Recommendation:

- (t) that the SRA for the Chairman/woman of the Council be £4,000 (8%);**

Harbour and Audit Committees

- 36. The Panel noted the respective roles of the Chairman/woman of the Harbour Committee and Chairman/woman of the Audit Committee. Both Committees meet four times a year. The Chairman/woman of the Harbour Committee also chairs various sub-committees and working party meetings. The Chairman/woman of the Audit Committee also represents the Council on the Devon Audit Partnership which is responsible for monitoring the contract and services provided by the Council's shared Devon Audit Partnership. The Panel felt that both of these roles were similar in terms of responsibility and were also on par with the Scrutiny Lead role.

Recommendations:

- (u) that the SRA for the Chairman/woman of the Harbour Committee be £3,000 (6%);**
- (v) that the SRA for the Chairman/woman of the Audit Committee be £3,000 (6%);**

Leaders of Political Groups

37. The Panel noted that since the two Group Assistants had been made redundant in May 2011 the work of the Group Leaders of the two main political groups had increased. The Panel therefore felt that there should be a slight increase in the SRA for the Group Leaders to recognise the increase in their workload.

Recommendation:

- (w) that the SRA for the Leaders of Political Groups be £325 per member (0.65%);**

Indexing

38. The Panel noted that the Scheme was currently up-rated using the annual local government pay settlement as agreed by the National Joint Committee for Local Government Services. The Panel considered other means of indexing such as the Consumer Price Index (CPI) (5.2% as at September 2011). The Panel felt that the current method for up-rating the Scheme should remain unchanged as it meant that staff and members will receive the same increase in pay. The method for up-rating the Scheme and the whole allowances scheme must be reviewed at least every four years (e.g. by no later than 2015).

Recommendation:

- (x) that the Basic Allowances, Special Responsibility Allowances and Co-optees Allowances be indexed from 1 April 2013 to the annual local government pay percentage increase as agreed by the National Joint Committee for Local Government Services. The travel and subsistence allowances will be up-rated as and when the Council's Expenses Policy is adjusted and the whole allowances scheme will be reviewed by no later than 2015;**

Performance Management

39. The Panel noted that as part of the Council achieving Member Development Charter Plus status the Council had been piloting performance management with some of the Group Leaders. Currently the only members that are formally required to report on their activities each year are the member champions who provide voluntary support to the Executive Leads on specific areas within the Council e.g. Heritage Champion. They are set annual targets and must report to the Mayor what they have done over the previous year. The Panel felt that formal performance management arrangements should be introduced ideally for all Members but in particular for the Deputy Mayor, Executive Leads, the Overview and Scrutiny Co-ordinator and Scrutiny Leads, to be carried out by the appropriate Group Leader or the Mayor, so that there is recorded evidence as to whether or not the people appointed to these positions were carrying out their roles and responsibilities and that where development needs were identified these could be met where possible as part of the member development strategy.

Recommendation:

- (y) that the Council is recommended to introduce performance management arrangements for the Group Leaders/Mayor to assess the performance of all members and in particular those in receipt of the following SRAs: the Deputy Mayor, Executive Leads, Overview and Scrutiny Co-ordinator and Scrutiny Lead Members;**

Pensions

40. The Panel reconsidered whether or not members should be able to join the Local Government Pension Scheme. The Panel was informed of the new National Auto Enrolment Scheme which was due to be introduced in 2012/13 and may require Councils to allow members to join a pension scheme. At present it is not clear whether or not members will be eligible under the Auto Enrolment Scheme. The Panel still felt that membership of the Local Government Pension Scheme for members should not be recommended on the grounds of affordability, but recognised that the Council may be required to allow members to join a scheme and that if this is the case they should be allowed to join the Local Government Pension Scheme rather than establishing a separate scheme for members.

Recommendation:

- (z) that the Panel confirmed its previous view that membership of the Local Government Pension Scheme for members should not be recommended. However, this is subject to guidance being issued on the National Auto Enrolment Scheme which may require Councils to allow members to join a pension scheme. The Panel recommends that if the Council is required to allow members to join a Scheme it should be the Local Government Pension Scheme.**

Childcare and Dependent Care

41. The current Scheme includes provision for the payment of the actual costs incurred for childcare and dependent care to be reimbursed to enable a member to carry out an approved duty. The Panel considered other options e.g. introducing a flat rate linked to the National Joint Council pay scales but felt that the current system was fairer and should be retained.

Recommendation:

- (ai) that the rates for childcare and dependent carers' allowances remains the same, namely equal to the cost incurred when a carer has been engaged to enable a member or co-opted member to carry out an approved duty;**

Dispensation

42. The Panel noted that the 'New Council Constitutions: Guidance on Regulation for Local Authority Allowances' states:

"Where additional household expenses are incurred (light, fuel etc.) relating to those parts of members' homes that are set aside solely for use for duties as members, the Revenue will except a standard deduction of £135 per year (an

amount agreed between the Association of Councillors and Inland Revenue Head Office) to cover this....”

43. North Tyneside Metropolitan Borough Council have arranged with Her Majesty's Revenue and Customs (HMRC) for each member of the Council to receive Income Tax relief for 'Household Expenses' e.g. purchasing of stationery, filing cabinet, use of room as an office etc. of £135 per annum. If a member feels that their outgoings for such items are greater than this figure, then a personal claim would have to be made to the Inspector of Taxes. The Panel felt that Torbay Council should liaise with HMRC to see if a similar scheme could be introduced within its allowances scheme.

Recommendation:

- (aii) that the Executive Head of Business Planning be requested to approach Her Majesty's Revenue and Customers (HMRC) to see if the Council could get a dispensation for income tax relief for 'household expenses' similar to that introduced by North Tyneside Council and if such dispensation is granted this be included within the Members' Allowances Scheme.**

Members Allowances Comparison and Proposed Allowances for 2012/2013

	2008/2009 Increase 2.75% £	2009/2010 Increase 1.0% £	2010/2011 No Increase £	2011/2012 Decrease 5% £	No. of Allowances Payable	Total Allowances Payable in 2011/2012	Proposed Allowances for 2012/2013	SRA % of Mayor's Allowance	Total Proposed Allowances Payable in 2012/2013	Proposed savings in 2012/13	Comments
Annual Up-rating from previous year											
Basic	8,246	8,328	8,328	7,912	x 37	292,744	8,400		310,800		The proposed Basic Allowance includes £500 for additional expenses which the member will meet such as broadband, stationery, postage etc
Co-optee Member	113	114	114	114	x8	912	114		912		
Chairman of Standards Committee	567	573	573	573	x1	573	573		573		
Elected Mayor	54,973	55,523	55,523	52,747	x1	52,747	50,000	100	50,000		
Deputy Mayor with Portfolio*	20,423	20,627	20,627	19,596		19,596	15,000	30	15,000		
Deputy Mayor without Portfolio*					x1		8,000	16			
Executive Members:											
Individual decision making	13,616	13,752	13,752	13,064							
Collective decision making	10,212	10,314	10,314	9,798							
Advisory	6,808	6,876	6,876	6,532	x8	52,256					
Executive Lead with Children, Adults or Finance Portfolio					x3		8,000	16	24,000		
Executive Lead with any other Portfolio					x5		6,500	13	32,500		
Overview and Scrutiny Co-ordinator	10,212	10,314	10,314	9,798	x1	9,798	6,500	13	6,500		
Scrutiny Lead Members	3,403	3,437	3,437	3,265	x4	13,060	3,000	6	9,000		
Scrutiny Lead for Health and Chair of Health Scrutiny Board					x1		3,250	6.5	3,250		
Chairman/woman of Development Management Committee	6,808	6,876	6,876	6,532	x1	6,532	6,500	13	6,500		
Chairman/woman of Licensing Committee:	3,403	3,437	3,437	3,265	x1	3,265	3,250	6.5	3,250		
Chairmen/women of Licensing Sub-Committees											
20-40 meetings	2,199	2,221	2,221	2,110							
15-19 meetings	1,649	1,665	1,665	1,582	x1	1,582	1,500	3	1,500		
15+ meetings					x1		1,000	2			
10-14 meetings		1,099	1,110	1,110			500	1			
5-9 meetings	550	556	556	528			4,000	8	4,000	750	Panel's Fee - one off saving
Chairman/woman of Council	3,403	3,437	3,437	3,265	x1	3,265	3,000	6	3,000	500	Stationery - annual saving
Chairman/woman of Harbour Committee	3,403	3,437	3,437	3,265	x1	3,265	3,000	6	3,000	1,800	Broadband - annual saving
Chairman/woman of Audit Committee	4,098	4,139	4,139	3,932	x1	3,932	3,000	6	3,000	200	Subsistence - annual saving
Leaders of Political Groups: (an allowance per member)	330	333	333	317	x37	11,729	325	0.65	12,025	500	Administration - annual saving
Total Basic Allowances						292,744			310,800		
Total Special Responsibility Allowances						182,512			175,010		
Overall Total						475,256			485,810	13,750	Total cost including savings: 472,060

* only one of these SRAs would be payable.

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Title: **Treasury Management Strategy 2012/13 (incorporating the Annual Investment Strategy 2012/13 and the Annual Minimum Revenue Provision Statement)**

Wards Affected: **All Wards in Torbay**

To: **Audit Committee Council** On: **18 January 2012
1 February 2012**

Contact Officer: **Pete Truman**
Telephone: **01803 207302**
E.mail: **Pete.truman@torbay.gov.uk**

1. Key points and Summary

1.1 The overall objectives of the Treasury Management Strategy are:

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

1.2 Following significant changes to the Capital Investment Plan the current level of borrowing (£153M) is currently surplus to capital financing requirements over the medium term. As a result the proposed borrowing strategy is to reduce the level of external borrowing over the next four years by a minimum target of £20 million to realign funding levels with the revised Capital Investment Plan and projected Capital Financing Requirement.

1.3 The current low interest rate environment creates high penalty costs for repaying loans and forecasts indicate this position will continue through the next financial year giving little opportunity to carry out the strategy in para 1.2 during 2012/13.

1.4 However, economic and market conditions are highly volatile and extremely difficult to predict and repayments of borrowing will be implemented as soon as favourable conditions arise.

1.5 Further reductions in the level of borrowing, potentially up to a total £40 million, will also form part of this Strategy to reflect the effect of current interest rate conditions on the revenue budget. Any such repayment will depend on an assessment of market conditions, anticipated cash flow, the Capital Investment Plan and associated borrowing requirement going forward.

- 1.6 The Annual Investment Strategy incorporates robust processes for managing credit risk which will be appropriate for varying levels of cash balances arising from this Strategy while maintaining the ability to maximise interest returns.
- 1.7 Other key points in the Treasury Management Strategy are as follows:
- A challenging interest rate environment with Bank Rate to remain at a very low level for an extended period and not to begin rising before late 2013.
 - The Council's return on investments continues to out-perform the benchmark.
 - Borrowing portfolio well positioned to meet the Capital Investment Plan in terms of funding and affordability in the long term with no exposure to increased interest rate risk.

2 Recommendation(s) for decision

Audit Committee

- 2.1 That Audit Committee endorse the Treasury Management Strategy for 2012/13.**

Council

- 2.2 That the Treasury Management Strategy for 2012/13 (incorporating the Annual Investment Strategy 2012/13) as set out in the submitted report be approved;**
- 2.3 that, in line with the Council's Constitution and Financial Regulations:**
- (i) the Chief Finance Officer be authorised to take any decisions on borrowing and investments. (Delegations to the Section 151 Officer, paragraph 3.1(a)); and**
 - (ii) the Chief Finance Officer be authorised to invest temporarily or utilise surplus monies of the Council; (Financial Regulations, paragraph 14.5); and**
- 2.4 that the Annual Minimum Revenue Provision Policy Statement for 2012/13 as set out in Annex 7 to this report be approved.**

3 Introduction

- 3.1 The Council defines its treasury management activities as:

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

- 3.2 The Treasury Management Strategy is considered under a requirement of the CIPFA Code of Practice on Treasury Management which was adopted by the Council on 25th March 2010.
- 3.3 The approval of an Annual Investment Strategy by Council is a requirement of the Guidance on Local Government Investments issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003.
- 3.4 In addition, the Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 3.5 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 3.6 The suggested strategy for 2012/13 is based upon the Treasury officers' views on interest rates, supported by market forecasts provided by the Council's treasury advisor. The full strategy covers:
- the current portfolio position;
 - prospects for interest rates;
 - economic conditions and scenario planning;
 - treasury management indicators;
 - the borrowing strategy;
 - the Annual Investment Strategy;
 - policy on the use of external service providers;
 - risk assessment;
 - reporting arrangements and management evaluation;
 - policy on Minimum Revenue Provision;
 - other matters
- 3.7 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This report, together with the Capital Plan, forms an integrated strategy to ensure the affordability of capital projects.
- 3.8 The provisional 2012/13 budget for interest payments has therefore been set at a level which will cover the Council's borrowing requirements in the Capital Investment Plan together with cash flow costs arising from capital projects and capital receipts.
- 3.9 The interest receipts budget for 2012/13, which is directly linked to the Council's borrowing position, is based on an average investment balance of £79 million and an average investment rate of 1.31% (the estimate for 2011/12 was 1.17%). This includes monies held by the Council's external Fund Manager

- 3.10 The budget for payment of interest on debt for 2012/13 is based on an overall borrowing rate of 4.31% (the estimate for 2011/12 was 4.23%).
- 3.11 The Treasury Management Strategy is directly linked to the Council's policy on reserves and balances, to be presented to Council in February 2012. From this report a mid-range target of £22 million has been extrapolated for which cash backing should be maintained in the medium term. This level has been factored into the investment balance in paragraph 3.9 above.
- 3.12 The core balances for which cash backing reflects the level of Council reserves, provisions, unapplied grants and contributions and working capital. This links to the Capital Plan and Medium Term Resource Plan which form the Council's longer term strategic cash flow forecasts.

4 Current Portfolio Position

- 4.1 The Council's treasury portfolio position at 23rd December 2011 comprised:

<u>BORROWING</u>		Principal	Average Rate
Fixed Rate Funding	PWLB	£143.461m	4.2957%
	Market	£ 10.000m	4.5475%
Variable Rate Funding		<u>£ 0.000m</u>	0.0000%
Total Debt		<u>£153.461m</u>	4.3122%
<u>INVESTMENTS</u>			
Investments Managed In-House – weighted average for year		£ 66.755m	1.4269%
Fund Manager- weighted average for year		<u>£ 35.500m</u>	1.0940%
Total Investments		<u>£102.255m</u>	1.3425%
NET BORROWING		<u>£ 51.206m</u>	

- 4.2 The Council has a difference between gross borrowing and net borrowing (after deducting cash balances). This difference in the long term would usually be equal to the Council's core cash balances.
- 4.3 The general aim of this treasury strategy is, in combination with the anticipated significant reduction in investments as capital expenditure is incurred, to further reduce the difference between the level of total and net borrowing over the next four years in order to reduce the cost of borrowing and the credit risk incurred by holding investments.
- 4.4 The overall investment rate exceeds the benchmark return of 0.48% and over-performance is expected again in 2012/13.

5 Prospects for Interest Rates

- 5.1 The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Annex 1 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates with Annex 2 providing a detailed economic commentary provided by Sector. The following table gives the Sector central view.

Annual Average %	Bank Rate	Money Rates		PWL B Borrowing Rates *		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec 2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

* Rates for repayment of existing loans are generally around 1% below these levels.

- 5.2 Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing before quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target and could remain at these levels for longer.
- 5.3 Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.
- 5.4 This challenging and uncertain economic outlook has a several key treasury management implications:
- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for generally shorter time periods;
 - Investment returns are likely to remain relatively low during 2012/13;
 - Borrowing interest rates difficult to predict but look unlikely to provide repayment or rescheduling opportunities in the short term;
 - There will remain a cost of capital – advance borrowing will incur a short term revenue cost between borrowing and investment returns, however this is offset by the fixing of a low rate in the long term.
- 5.5 **Sensitivity of Forecasts.** The projections within this report are based on officers “central” view of market rates applicable in 2012/13. These are subject to variation from interest rate changes and cash flow changes. An illustration of the potential impact of these changes is shown in the following table:

Variation	Central Case	Change +/-	£ Variation*
Change in Investment rates (new investments)	1.34%	1%	£0.790 million
Change in Borrowing Rates (change in penalty cost on early repayment of an indicative £5 million)*	n/a	1%	-£0.8million/ +£1.0 million
Change in Average cash flow (assume increased investments)	£79 million	£10 million	£0.134 million

* Based on current levels of borrowing and investment

**The strategy provides for no additional borrowing in 2012/13 for capital funding and all existing borrowing is at fixed rate so any change in Borrowing Rates will have no effect on interest payable.

6 Economic Conditions and scenario planning

- 6.1 The volatility of economic conditions over both recent months and years (see commentary included at Annex 2) will continue to have a significant impact on the Council's Treasury Management function.
- 6.2 The Council is still facing a situation where Bank Rate and therefore investment returns are at record lows, well below the level payable on borrowings.
- 6.3 The Council has linked its medium term financial planning to these uncertain conditions. The impact of these conditions on the Council's investment budget has been identified and has formed part of the budget planning process for future years.
- 6.4 The impact of the economic conditions will continue to be identified in Treasury Management strategies linked to the Council's medium term financial planning.
- 6.5 The current economic conditions are still very unstable and as a result there are a range of market movements that could occur over the next few years which will provide a challenge to officers. The current strategy and budgets reflect that uncertainty and are based on prudent views of market movements and counterparty limits are set to minimise the Council's exposure to risk.
- 6.6 The crisis in the Eurozone and the potential effect on markets will continue to be monitored by Officers for threats to treasury activities. In September 2011 the Chief Finance Officer (CFO) repeated a measure taken the previous year in placing a blanket duration limit of three months on all deposits (except to UK part-nationalised banks) to mitigate potential risks arising from the problems in Greece and other countries.
- 6.7 Varying the Council's counterparty limits could increase or decrease investment yield with a corresponding change in the level of security (risk) over the counterparty. In the current market conditions any extension of counterparty limits and maximum length of investments could increase investment yield. However this would need to be considered against the higher risk of impairment.

6.8 A repayment of borrowing of £1million in 2012/13 could yield a saving, in interest terms, of £26,600:

Saving on interest payable (4% loan assumed)	£40,000
Less: Loss of investment interest (at budgeted rate of 1.34%)	<u>£13,400</u>
Net Interest saving	<u>£26,600</u>

However, this assumes repayments at rates levels where no penalty is applicable. As outlined later in para 8.4 this position is not anticipated in 2012/13

7 Treasury Management Indicators for 2011/12 – 2015/16

7.1 Annex 3 sets out the treasury indicators relevant for the purpose of setting an integrated treasury management strategy.

8 Borrowing Strategy

8.1 The table in Annex 4 provides an analysis of current borrowing levels against the Capital Financing Requirement (CFR) derived from the approved Capital Investment Plan. It also summarises the effects of the Borrowing Strategy detailed below.

8.2 No new borrowing is planned for 2012/13.

8.3 The Council's revenue provision for repayment of principal over the next four years is approximately £20million which will reduce the CFR by that value. This change in CFR combined with changes in the Capital Investment Plan results in a borrowing strategy to reduce the level of external borrowing over the next four years by a minimum of £20 million to realign funding levels with the revised Capital Investment Plan thereby reducing the risks involved in holding cash balances.

8.4 The current market conditions make repayment prohibitive due to high penalty costs and these conditions are forecast to continue until 2013/14 (see section 4). Opportunities to repay borrowing are therefore not expected in 2012/13. However, the volatile conditions in the economic climate make predicting rate movements extremely difficult and Officers will act on this strategy as soon as the rate environment moves to favourable position.

8.5 Gilt yields need to rise by around 0.50%-0.75% on their current levels for any repayment to be affordable and by 0.75%-1.00% to reach the level at which the Council would ideally begin to make repayments.

8.6 The option to further reduce borrowing, potentially up to an additional £20million above that in para 8.3., will also form part of this strategy to reduce the risks involved in holding cash balances and the impact in the short term on revenue resources.

8.7 Any repayment of borrowing will only be applied following a thorough assessment of:

- any change to the level of the borrowing requirement
- additional capital projects funded from borrowing

- assessment of working capital and other Council cash backed resources such as Reserves, Provisions and capital grants
 - prevailing market conditions
 - anticipated cash flow and any temporary borrowing requirements
 - future market expectations
 - the need to re-borrow in the medium to longer term as loans reach maturity
- 8.8 Rescheduling of existing debt will also be considered if opportunities arise, to supplement the primary aim of repaying loans.
- 8.9 The majority of the Council's cost of interest and associated Revenue Provision relate to borrowing "supported" by central government. This supported borrowing along with prudential borrowing for capital resources leads to an increase in the value attached to the Council's own assets on its Balance Sheet.
- 8.10 Borrowing from PWLB or other sources is only one option the Council has to cover its Capital expenditure e.g. the Council could use finance leases or PFI agreements such as the Energy from Waste Plant.
- 8.11 As a matter of policy approved borrowing sources are from the Public Works Loan Board and market instruments from counterparties listed by the Financial Services Authority. Local Authority Bonds will also be considered going forward.

9 ANNUAL INVESTMENT STRATEGY

Investment Policy

- 9.1 The Council will have regard to the CLG's Guidance on Local Government Investments and the (2009 revised) CIPFA Treasury Management in Public Services Code of Practice.
- 9.2 The Council's investment priorities, in line with CLG Guidance, are: -
- (a) the security of capital
 - (b) the liquidity of its investments.
- 9.3 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.
- 9.4 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.
- 9.5 Annex 5 to this report details the policy for selection of counterparties and management of investments to achieve the objectives of the Investment Policy.
- 9.6 Investment instruments identified for use in the financial year are listed at Annex 6 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be set within the schedules accompanying the Council's Treasury Management Practices.

Investment Strategy

- 9.7 The investment strategy for 2012/13 is strongly influenced by the market and credit

risks outlined above but needs to be balanced with the need to maximise revenue within these risks.

- 9.8 Officers consider the government guarantee implicit in deposits with UK part-nationalised banks offers the safest haven for cash to the extent that further longer term deposits will be allowed with these institutions where rates offer a premium on market levels.
- 9.9 Deposits with other counterparties will generally be for shorter durations while the current uncertainties prevail in the market.
- 9.10 A proportion of funds will be held in business reserve and notice accounts to ensure appropriate liquidity is maintained.
- 9.11 The Fund Managers strategy and performance will be subject to continuous monitoring and the CFO will vary the size of the holding in line with the aims of the overall strategy.

10 Policy on the use of external advisors

- 10.1 The Council re-appointed Sector Treasury Services as its external treasury management advisor in January 2010.
- 10.2 The Council recognises the value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Chief Finance Officer will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 10.3 The Council acknowledges that the responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon the external advisors.

11 Risk Assessment

- 11.1 The main risks to Treasury Management activities will arise from interest rate levels and volatility, liquidity and cash flow requirements and creditworthiness of investment counterparties.
- 11.2 The management of specific risks is outlined in the Treasury Management Practices as required by the CIPFA Code of Practice approved by Council on 25th March 2010. Detailed controls are set by the Chief Financial Officers within the Schedules to the Treasury Management Practices and these are reviewed annually.
- 11.3 Other sections of this report below deal further with risk management and mitigation of particular elements of the 2012/13 Strategy.

12 Reporting Arrangements and Management Evaluation

- 12.1 The CFO will inform the Executive Lead for Finance of any long-term borrowing/repayment undertaken or any significant events that may affect the Council's treasury management activities. The CFO will maintain a list of staff

authorised to undertake treasury management transactions on behalf of the Council.

- 12.2 The Chief Finance Officer is authorised to approve any movement between borrowing and other long-term liabilities within the Authorised Limit. Any such change will be reported to the next meeting of the Council.
- 12.3 The impact of these policies will be reflected as part of the Council's revenue budget and therefore will be reported through the quarterly budget monitoring process.
- 12.4 The Council's management and evaluation arrangements for Treasury Management are as follows:
- Weekly monitoring report to the Chief Finance Officer, Executive Lead for Finance and majority opposition Group
 - Monthly meeting of the Treasury Manager/Chief Accountant to review previous months performance and plan following months activities
 - Regular meetings with the Council's treasury advisors
 - Annual meetings with the Council's appointed Fund Managers
 - Membership and participation in the CIPFA Benchmarking Club
 - Reports to Audit Committee as the body responsible for scrutiny of Treasury Management.
- 12.5 The CFO will ensure adequate training provision is available to staff and Members. The Treasury Manager holds the Certificate in International Treasury Management – Public Finance, a dedicated qualification issued jointly by CIPFA and the Association of Corporate Treasurers.

13 Policy on Minimum Revenue Provision

- 13.1 The proposed Policy is outlined at Annex 5 to this report.

14 Other Matters

- 14.1 **Advancing cash.** If approved the Council will advance cash to Torbay Council schools at a rate equivalent to that of the forecast investment yield (to reflect the lost investment opportunity), with the option of an additional 0.25% risk premium. The service will have to identify the funding for this advance from revenue or reserves in the year of the advance.
- 14.2 **Investing cash for Local Payment Scheme (LPS) Schools.** If agreed by the Chief Finance Officer the Council will invest LPS school surplus balances on a temporary basis and endeavour to match Bank Rate on these investments on a variable basis. This will be for cash on a longer-term basis and will not apply to daily cash flow balances.
- 14.3 **Soft Loans.** New Financial Instruments require the recognition of soft loans i.e. where a loan is made at a lower than 'competitive' rate the cost implicit in achieving the lower rate must be reflected in the Council's accounts.
- 14.4 **Anti-Money Laundering.** New legislation came into force in December 2007. Training has been undertaken to ensure relevant staff are able to comply with

Regulations.

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

Paul Looby
Executive Head of Finance

Annexes

Annex 1	Interest Rate Forecasts 2011 - 2015
Annex 2	Economic Commentary
Annex 3	Treasury Management Indicators 2011/12 – 2015/16
Annex 4	Analysis of Borrowing against the Capital Financing Requirement
Annex 5	Investment Policy
Annex 6	Specified and Non-specified Investments
Annex 7	Policy on Minimum Revenue Provision for 2012/13

Documents available in members' rooms

Background Papers:

The following documents/files were used to compile this report:

Capital Strategy
Capital Investment Plan

Interest rate Forecasts 2011 - 2015

Sector's Interest Rate View															
	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
3 Month LIBID	0.87%	0.70%	0.70%	0.70%	0.70%	0.70%	0.75%	0.80%	0.90%	1.20%	1.40%	1.60%	2.10%	2.40%	2.60%
6 Month LIBID	1.16%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.20%	1.40%	1.60%	1.80%	2.00%	2.50%	2.70%	2.90%
12 Month LIBID	1.65%	1.50%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.20%	2.40%	2.60%	3.10%	3.20%	3.30%
5yr PWLB Rate	2.25%	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
10yr PWLB Rate	3.33%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
25yr PWLB Rate	4.24%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
50yr PWLB Rate	4.26%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
Bank Rate															
Sector's View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
Sector's View	2.25%	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
UBS	2.25%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-	-	-
10yr PWLB Rate															
Sector's View	3.33%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
UBS	3.33%	3.45%	3.45%	3.50%	3.60%	3.65%	-	-	-	-	-	-	-	-	-
Capital Economics	3.33%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-	-
25yr PWLB Rate															
Sector's View	4.24%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
UBS	4.24%	4.80%	4.90%	4.90%	4.90%	4.90%	-	-	-	-	-	-	-	-	-
Capital Economics	4.24%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	-	-	-	-	-
50yr PWLB Rate															
Sector's View	4.26%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
UBS	4.26%	4.80%	4.95%	4.95%	5.00%	5.00%	-	-	-	-	-	-	-	-	-
Capital Economics	4.26%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	-	-	-	-	-

Economic Background provided by Sector (at 17th November 2011)

Global economy

The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers any optimism for the outlooks for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

At the centre of much of the uncertainty is the ongoing **Eurozone sovereign debt crisis** which has intensified, rather than dissipated throughout 2011. The main problem has been **Greece**, where, even with an Eurozone/IMF/ECB bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved if this will be either “orderly” or “disorderly”, and/or also include exit from the Euro bloc.

As if that were not enough there is growing concern about the situation in **Italy** and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and the lack of political will to address the need for fundamental reforms in the economy. The Eurozone now has a well established track record of always doing too little too late to deal with this crisis; this augurs poorly for future prospects, especially given the rising level of electoral opposition in northern EU countries to bailing out profligate southern countries.

The US economy offers little to lift spirits. With the next Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. In quarter 3 the Federal Reserve started “Operation Twist” in an effort to re-ignite the economy in which growth is stalling. High levels of consumer indebtedness, unemployment and a moribund housing market are weighing heavily on consumer confidence and so on the ability to generate sustained economic growth.

Hopes for broad based recovery have, therefore, focussed on the **emerging markets** but these areas have been struggling with inflationary pressures in their previously fast growth economies. China, though, has maintained its growth pattern, despite tightening monetary policy to suppress inflationary pressures, but some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.

UK economy

The Government’s austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has virtually flatlined and concerns at the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. GDP growth has flatlined since the election of 2010 and the economic forecasts for 2012 have been revised lower on a near quarterly basis as the UK recovery has, effectively, stalled. With fears of a potential return to recession the Bank of England embarked on a second round of Quantitative Easing to stimulate economic activity.

Unemployment. With the impact of the Government's austerity strategy impacting the trend for 2011 of steadily increasing unemployment, there are limited prospects for any improvement in 2012 given the deterioration of growth prospects.

Inflation and Bank Rate. For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation standing at 5.2% at the start of quarter 4 2011. The MPC remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.

AAA rating. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy at deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and with the safe haven status from Eurozone debt also drawing in external investment the pressure on rates has been down, and looks set to remain so for some time.

Sector's forward view

Economic forecasting remains troublesome with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that increasingly seem likely to be undershot;
- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;

- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Treasury Management Indicators 2011/12 – 2015/16

Limits on Borrowing and Long-Term Liabilities

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

Operational boundary £m	2011/12 Current	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Borrowing	163	163	163	163	163
Other long term liabilities	10	10	9	8	58
Total	173	173	172	171	221

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

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

Authorised limit £m	2011/12 Current	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Borrowing	182	182	187	192	197
Other long term liabilities	10	10	9	8	58
Total	192	192	196	200	255

Limits on Activity

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

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

£m	2012/13	2013/14	2014/15	2015/16
Interest rate Exposures				
	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	150	150	150	150
Limits on variable interest rates based on net debt	41	41	41	41
Limits on fixed interest rates:				
• <i>Debt only</i>	163	163	163	163
• <i>Investments only</i>	85	68	67	64
Limits on variable interest rates				
• <i>Debt only</i>	41	41	41	41
• <i>Investments only</i>	70	65	65	65
Maturity Structure of fixed interest rate borrowing 2012/13				
	Lower		Upper	
Under 12 months	0%		7%	
12 months to 2 years	0%		7%	
2 years to 5 years	0%		7%	
5 years to 10 years	6%		19%	
10 years to 25 years	12%		32%	
25 years to 40 years	12%		45%	
Over 40 years	10%		35%	

Investment Treasury Indicator and Limit

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

Maximum principal sums invested for over 364 days				
£m	2012/13	2013/14	2014/15	2015/16
Principal sums invested > 364 days	£m 66	£m 56	£m 55	£m 54

Analysis of Borrowing against Capital Financing Requirement

£m At 31/03/xx	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2015/16 Estimate Assuming £20M repayment of borrowing	2015/16 Estimate Assuming £40M repayment of borrowing *
External Borrowing	153	153	153	153	153	133	113
Other long-term liabilities (OLTL)	11	10	9	8	58 **	58 **	58 **
Total borrowing and long term liabilities	164	163	162	161	211	191	171
CFR – the borrowing need including long term liabilities	139	141	141	139	194 **	194 **	194 **
Under / (over) borrowing	(25)	(22)	(21)	(22)	(17)	3	23
Total investments	82	67	65	64	60	40	20
Net borrowing	71	86	88	89	93	93	93

Projected Revenue Implications	£m
Interest payable on Borrowings	6.62
Interest Receivable on Investments	(1.35)
Net Cost	5.27

£m	£m
5.82***	5.02***
(1.0)	(0.6)
4.82	4.42

* Subject to assessment as outlined in para 8.7 of this report

** Reflects the estimated impact of the PFI contract for the Energy from Waste Plant

*** Based on repayment of loans averaging 4%

Investment Policy

1. This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors.
2. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of Credit Default Swap (CDS) spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. The Chief Finance Officer applies and monitors suitable financial and durational limits to each of these bands.
3. This methodology does not apply the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.
4. All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service and the CFO will vary the approved lending list as appropriate to these changes.
5. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+. The list of countries that qualify using this credit criteria as at the date of this report are shown below and this list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

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

6. Sole reliance will not be placed on the use of this external service. In addition the CFO will also use market data and market information, information on government support for banks and the credit ratings of that government support.
7. The Council uses an external fund manager to manage a proportion of the investment portfolio available to offset the borrowing requirement. The use of an external fund manager allows the Council to spread its treasury risk in relation to type of investment, investment counterparties and manager opinion.
8. The external fund manager will comply with the Annual Investment Strategy. The agreement between the Council and the fund manager additionally stipulates guidelines and duration and other limits in order to contain and control

risk.

9. The fund manager mandate allows for additional amounts to be placed and the CFO will exercise this option if this is deemed to be in the best interests of the Council up to a limit of 35% of the total portfolio. As Council's cash investment reduce it is likely the Fund Manager holding will be correspondingly decreased. The Council retains the right to withdraw all or part of the fund at seven days notice.

Specified and Non-Specified Investments

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

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Creditworthiness system colour band "Green"	In-house and Fund Manager
UK nationalised/part-nationalised banks	Sovereign rating AA+	In-house and Fund Manager
Government guarantee (explicit) on ALL deposits by high credit rated (sovereign rating) countries	Sovereign rating AA+	In-house and Fund Manager
UK Government support to the banking sector (implicit guarantee) (see note 1)	Sovereign rating AA+	In-house
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): - 1. Government Liquidity Funds 2. Money Market Funds 3. Enhanced Cash Funds	AAA	In-house and Fund Manager

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The maturity limits recommended will not be exceeded. Under the delegated powers the Chief Finance Officer can set limits that are lower based on the latest economic conditions and credit ratings. As at December 2011 there is an overlay of three months and one year durations.

	Minimum Criteria	Credit rating	Use	Max % of total investments	Max. maturity period *
UK nationalised/part-nationalised banks (maturities over one year)	Sovereign AA+	rating	In-house and Fund Manager	50%	3 years
Term deposits (over one year) – local authorities	--		In-house	50%	5 years
Term deposits (over one year) – banks and building societies	Creditworthiness system colour band "Purple"		In-house and Fund Manager	75%	2 years
Collateralised deposit	See note 2		In-house	20%	5 years
Certificates of deposits issued by banks and building societies (maturities under one year)	Creditworthiness system colour band "Green"		In-house and Fund Manager	50%	1 year
Certificates of deposits issued by banks and building societies (maturities over one year)	Creditworthiness system colour band "Purple"		In-house and Fund Manager	50%	1 year
UK Government Gilts/Treasury Bills	Sovereign rating AA+		In-house and Fund Manager	100%	5 years
Bonds issued by multilateral development banks	AA+		In-house and Fund Manager	50%	5 years
Sovereign bond issues (other than the UK govt)	Sovereign rating AA+		In-house and Fund Manager	50%	5 years
Structured Deposits	Creditworthiness system colour band "Orange"		In-House	25%	2 years
Term deposits with unrated counterparties with unconditional guarantee from HMG or credit-rated parent institution. Specific counterparty to be approved by CFO	Sovereign rating (guarantor) Sovereign AA+ or Creditworthiness system colour band "Red"		In-house and Fund Manager	20%	1 year
Commercial paper issuance by UK banks covered by UK Government guarantee	Sovereign rating AA+		Fund Manager	35%	5 years
Commercial paper other	Creditworthiness system colour band "Red"		Fund Manager	35%	5 years
Floating Rate Notes : <i>the use of these investments would constitute capital expenditure (although this is currently under review) unless they are issued by a multi lateral development bank</i>	Long-term AA		In-house and Fund Manager	35%	5 years

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period*
Property Fund: <i>the use of these investments would constitute capital expenditure although this is currently under review</i>	--	In-house and Fund Manager	35%	5 years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):- 1. Government Liquidity Funds 2. Money Market Funds	AAA	Fund Manager	35%	5 years
Corporate Bonds issued by UK Banks covered by UK Government guarantee : <i>the use of these investments would constitute capital expenditure although this is currently under review</i>	Sovereign rating AA+	In-house and Fund Manager	35%	5 years
Corporate Bonds other: <i>the use of these investments would constitute capital expenditure although this is currently under review</i>	AA	In-house and Fund Manager	35%	5 years
Other debt issuance by UK Banks covered by UK Government guarantee	Sovereign rating AA+	In-house and Fund Manager	35%	5 years

*Of which in any class of investment:

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

Notes

1. The original list of banks covered when the support package was initially announced was: -

- Abbey (now part of Santander)
- Barclays
- HBOS (now part of the Lloyds Group)
- Lloyds TSB
- HSBC
- Nationwide Building Society
- RBS
- Standard Chartered

Banks eligible for support under the UK bail-out package and which have issued debt guaranteed by the Government are eligible for a continuing Government guarantee when debt issues originally issued and guaranteed by the Government mature and are refinanced. However, no other institutions can make use of this support as it closed to new issues and entrants on 28.2.10. The banks which have used this explicit guarantee are as follows: -

- Bank of Scotland
 - Barclays
 - Clydesdale
 - Coventry Building Society
 - Investec bank
 - Nationwide Building Society
 - Rothschild Continuation Finance plc
 - Standard Life Bank
 - Tesco Personal Finance plc
 - Royal Bank of Scotland
 - West Bromwich Building Society
 - Yorkshire Building Society
2. As collateralised deposits are backed by collateral of AAA rated local authority LOBOs, this investment instrument is regarded as being a AAA rated investment as it is equivalent to lending to a local authority.

Policy on Minimum Revenue Provision for 2012/13

1. The minimum revenue provision is a charge to its revenue budget that Councils are required to make to generate cash resources to enable the repayment of borrowing. The 2011/12 budget for this is £4 million. The calculation of this charge is guided by legislation issued over a number of years. (Note there is revised MRP legislation proposed for 2012/13 but the changes are primarily in relation to Council's with Housing Revenue Accounts so not applicable to Torbay)
2. Councils are now required to "determine for the current financial year an amount of MRP that it considers to be prudent" and prepare an annual statement on their MRP calculation to their full Council.
3. The aim of this legislation is to ensure that the repayment of principal owed for capital expenditure funded from unsupported borrowing is charged on a prudent basis more closely linked to the asset's life. The provision for all assets, irrespective of asset life, for expenditure funded from supported borrowing will continue to be charged at a minimum 4% per annum which is in line with central government's "support" for these costs within the Council's formula grant.
4. The Annual Minimum Revenue Provision Policy Statement states that the calculation of the MRP is as follows:

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

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

- 1) This calculation allows for the adjustments of the following items:
 - Deducting any expenditure (and revenue provision made) in relation to unsupported borrowing
 - Commutation Adjustment
 - "Adjustment A" which relates to a previous calculation change in 2004
 - Adjustment of MRP to ensure no disadvantageous results to Councils from the new regulations compared to previous MRP regulations
 - Adjustment of MRP to ensure no disadvantageous results to Councils from the new requirements for accounting for Private Finance Initiative schemes
- 2) For capital expenditure funded from unsupported or prudential borrowing the Council will make a provision based on the cumulative expenditure incurred on each asset in the previous financial years using a prudent asset life less

any MRP to date on that expenditure, which reflects the estimated usable life of that asset. The Council will use the “asset life method”

Within the asset life method the MRP for each asset will be calculated using an annuity calculation using the Council’s estimated pooled borrowing interest rate for the relevant year as detailed in the Treasury Management Strategy for that year. This will be adjusted by

- an adjustment to the MRP calculation will be used where there is expenditure in the previous financial year, but the asset is not yet operational. MRP will be calculated on the total expenditure on that asset in the year after the asset becomes operational.

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

- 3) The Council will continue to charge services for their use of unsupported borrowing using a prudent asset life (or a shorter period) and an annuity calculation. Where possible the same asset life and borrowing interest rate will be used for both the charge to services and the calculation of the MRP.
- 4) Where assets prior to 2007/08 have been purchased by unsupported borrowing (before the new legislation applied) and a MRP at 4% is provided for, the Council will aim, over the long term, to balance the annual costs of the MRP on these assets with the repayments made by services. This may result in a Voluntary Revenue Provision (VRP) or reserve transfer being made.
- 5) The Council will not change its existing “Adjustment A” calculation.
- 6) To mitigate any negative impact from the changes in accounting for leases and PFI schemes the Council will include in the annual MRP charge an amount equal to the amount that has been taken to the balance sheet to reduce the balance sheet liability for a PFI scheme or a finance lease. The calculation will be based on the annuity method using the Internal Rate of Return (IRR) implicit in the PFI or lease agreement.