



Contact: Kate Spencer
Telephone: 01803 207063
E-mail address: scrutiny@torbay.gov.uk
Date: Tuesday, 26 January 2016

Overview and Scrutiny
Town Hall
Castle Circus
Torquay
TQ1 3DR

Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 27 JANUARY 2016

I am now able to enclose, for consideration at the Overview and Scrutiny Board to be held on Wednesday, 27 January 2016, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
6.	Revenue Budget Monitoring 2015/2016 - Quarter 3	(Pages 101 - 107)
7.	Capital Investment Plan Monitoring 2015/2016 Quarter 3	(Pages 108 - 196)
8.	Review of Reserves 2016/2017	(Pages 197 - 211)

Yours sincerely

Kate Spencer
Overview and Scrutiny Lead



Meeting: Overview and Scrutiny Board **Date:** 27th January 2016
Council **3rd February 2016**

Wards Affected: All Wards

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

Is the decision a key decision? No

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

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

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

1. Purpose and Introduction

- 1.1 The quarterly revenue monitoring report provides a summary of the Council's revenue income and expenditure for the financial year 2015/16.
- 1.2 As at quarter three the Council's revenue budget is predicting an over spend of £2.7m primarily as a result of expenditure pressures in both childrens and adults social care, offset by savings in other services.

2. Recommendation (s) / Proposed Decision

Overview and Scrutiny Board:-

- 2.1 That the forecast 2015/16 revenue budget position be noted.
- 2.2 That Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the current position.

Council:-

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

3. Reason for Recommendation/ Proposed Decision

- 3.1 Report for review and information.

Supporting Information

4. Position

4.1 Summary Position

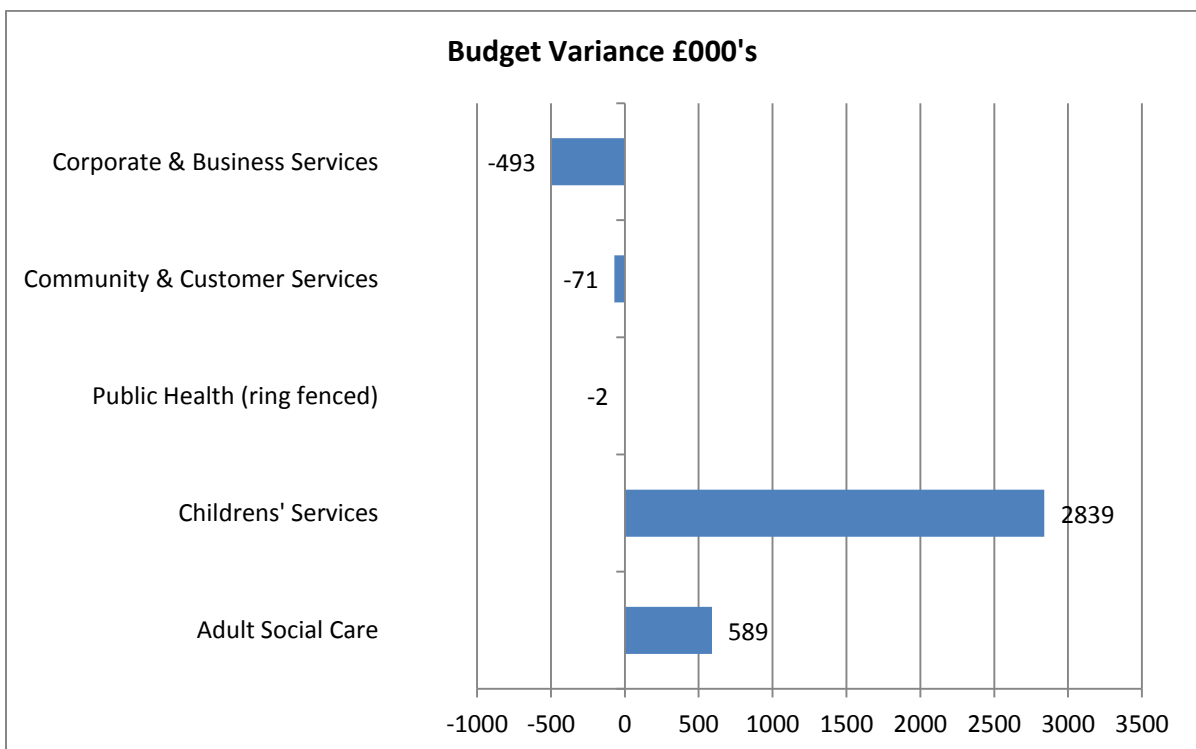
4.2 As at Quarter Three the Council's revenue budget is predicting an overspend of £2.7m primarily as a result of issues in both children's and adults social care.

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

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

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

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



4.7 Detailed Position

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

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

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

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

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

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

4.10 2015/16 Savings

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

4.12 Risks & Sensitivity

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

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

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

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

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

4.16 Implications on 2016/17 Budget

- 4.17 A number of 2015/16 budget monitoring issues link directly to the 2016/17 budget proposals. In some cases where a saving has been achieved in 2015/16 this has been reflected in 2016/17 budget proposals.
- 4.18 The areas of higher risk are in social care. In adult social care the impact of the current year position has been reflected in the ICO's financial planning and Cost Improvement Plans for 2016/17.
- 4.19 In children's social care to reflect the current year position there have been no budget reductions in safeguarding and £2m has been proposed to be invested in the service offset, in part, by the planned reduction in the use of earmarked reserves per the October 2014 Childrens Services Plan. A considerable amount of focus has been placed on the children's services budget by both staff and members including the work of the Audit Committee. The 2016/17 budget proposals will include a progress report from the Director of Childrens Services on the financial plan and its achievability in 2016/17.

4.20 2016/17 Budget Process

- 4.21 The Mayor presented his budget proposals for 2016/17 in November 2015 for consultation. The 2016/17 Budget is being presented to Council on 3rd February 2016 prior to adjournment to Council on 11th February 2016.
- 4.22 The provisional Local Government Finance Settlement for 2016/17 was published in December 2015 and Priorities and Resources Panel have been provided an update.

4.23 Balance Sheet issues

- 4.24 No long term borrowing was taken or repaid so the Council's long term borrowing remained at £138m which was within the Council's approved Operational Boundary and Authorised Limit (for debt and long term liabilities as set by Council In February 2015).
- 4.25 The Council has interests in a number of companies. The financial performance for 2014/15 of these companies is included in the Council's statement of accounts (link below).

Background Documents

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

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

Medium Term Resource Plan

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

2014/15 Statement of Accounts

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

2016/17 Budget Proposals – November 2015.

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

Agenda Item 7



Meeting: Overview and Scrutiny Board
Council

Date: 27th January 2016

3rd February 2016

Wards Affected: All

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

Is the decision a key decision? Yes

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

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

1. Proposal and Introduction

- 1.1 The Capital Plan budget totals £99.9 million for the 4 year programme, with £28.6 million currently scheduled to be spent in 2015/16, including £11.7m on the South Devon Highway. The Capital Plan currently requires £2.2 million from capital receipts and capital contributions over the life of the Plan.
- 1.2 The Council's Capital Plan is updated on a quarterly basis which includes any new funding announcements and allocations. It provides high-level information on capital expenditure and funding for the year compared with the last Plan update as reported to Council in December 2015, relating to Quarter 2 position.

2. Reason for Proposal

- 2.1 Quarterly reporting to both the Overview and Scrutiny Board (OSB) and to Council is part of the Council's financial management.
- 2.2 For Council to approve the 2015/16 quarter three position as its Capital Plan 2016/17 – 2019/20 and Capital Strategy 2016/17 as part of the 2016/17 budget process.
- 2.3 There are a number of new capital projects recommended for approval which both aim to generate future income for the council or aim to provide funding over the next four years for some essential capital projects.

3. Recommendation(s) / Proposed Decision

Overview & Scrutiny Board

- 3.1 That the latest position for the Council's Capital expenditure and funding for 2015/16 be noted and that the Board make recommendations, if required, to Council in respect of Quarter Three monitoring.
- 3.2 That, as part of the budget setting process for 2016/17; the Board review the Capital Strategy, Capital Plan and Corporate Asset Management Plan Strategy and make recommendations to the Mayor, if required, prior to Council approval of those Plans and Strategy for 2016/17 in February 2016.

Council

- 3.3 That the latest position for the Council's Capital expenditure and funding for 2015/16 be noted.
- 3.4 That 2016/17 Capital Strategy (set out at Appendix 1) be approved.
- 3.5 That prudential borrowing of £10 million for an Investment Fund to enable acquisition of properties for investment purposes to be funded from future rental income be approved and that purchases within the Fund to be subject to specific criteria:
- Rate of Return expected to exceed 6% per annum net of costs
 - Property assessed as an asset life in excess of 50 years (or repayment period)
 - Tenants assessed as reasonable credit quality and pre lets agreed if possible
 - Independent valuation of asset to support purchase price
 - Any UK property to be considered subject to no more than 50% in any county area.
 - Any sale proceeds of assets purchased to be reinvested in fund.

and that the allocation of the Fund, if the criteria is met, be agreed by Executive Director of Operations and Finance in consultation with the Chief Finance Officer and the Mayor.

- 3.6 That prudential borrowing of £3 million for essential capital repair works be approved with the cost of borrowing to be included in future year revenue budgets and that the allocation of the budget be agreed by the Executive Head – Business Services in consultation with the Chief Finance Officer and the Mayor.
- 3.7 That prudential borrowing of £0.350 million to upgrade and update the Council's CCTV equipment be approved with the cost of borrowing to be included in future year revenue budgets offset by any future external contributions and any resulting revenue savings.
- 3.8 That prudential borrowing of £1.0 million for an IT Investment Fund for 2016/17 to 2019/20 be approved with the cost of borrowing to be included in future year revenue budgets and that the allocation of the Fund be agreed by Executive Director of Operations and Finance consultation with the Chief Finance Officer, the Executive Head – Customer Services and the Executive Lead for Customer Services.
- 3.9 That the capital budget for the Disabled Facilities Grant reserve of £0.398m (from prior year underspends) be allocated to support capital “invest to save” initiatives in both children's and adult social care to support vulnerable members of the community.
- 3.10 That the reallocation of £0.5m within the existing schools capital allocation to provide two mobile accommodation buildings at Paignton Community Sports Academy be approved to meet an immediate need for pupil places.
- 3.11 That the allocation of £0.350m to improvements at The Strand in Torquay in line with the proposed Corporate Plan Delivery Plans be approved and that the Council determine whether this is funded from:
- Option 1: prudential borrowing where the cost will be included in future year revenue budgets; or
- Option 2: the Comprehensive Spending Review Reserve.
- 3.12 That the Council will not take up the option in 2016/17 of using capital receipts to fund one off revenue costs of transformation to meet future budget reductions.
- 3.13 That, subject to approval of 3.5 to 3.12 below, the budget forecast for 2016/17 to 2019/20 at Appendix 2 be approved as the Capital Plan.
- 3.14 That the Corporate Asset Management Plan for 2015 – 2019 (as set out in Appendix 4) be approved.

4 Supporting Information and Impact Assessment

- 4.1 Members of the Overview and Scrutiny Board and Council receive regular budget monitoring reports on the Council's Capital Plan throughout the year. The Council's four year Capital Plan is updated each quarter through the year. This report is the monitoring report for the third quarter 2015/16 and includes variations arising in this quarter to the end December 2015. For the purposes of Standing Order F3 in relation to Budget and Policy Framework, this report also sets out the Mayor's proposals for revisions to the Capital Plan and the Capital Strategy as part of the 2016/17 budget setting process.
- 4.2 Supporting Information on the capital issues facing the Council were included along with the Capital Strategy as part of the Quarter Two Capital Plan Update report presented to Overview and Scrutiny Board and Council in November 2015. This supporting information is included again at Appendix 3.
- 4.3 The overall funding position of the 4-year Capital Plan Budget of £99.9 million, covering the period 2015/16 – 2018/19, is primarily fully funded but still relies upon the generation of £2.2 million of Capital income from capital receipts and capital contributions over the life of the Capital Plan.
- 4.4 Of this £2.5m, £2.0 million was required from capital receipts before the end of the current Plan period. Of this sum £0.3 million has been received by the end of December 2015, leaving a balance of £1.7 million still to be realised. It is only after this target has been reached that any capital receipts should be applied to new schemes.
- 4.5 The other element of this £2.2m funding requirement, involves £0.5m required from capital contributions including community infrastructure levy which is expected to be approved during 2016.
- 4.6 The movements in the estimate of expenditure in 2015/16 on the Capital Plan between the last monitoring report at September 2015 of £30.2m and the latest budget for 2015/16 of £28.6 m are shown below.

Scheme	Variation in 2015/16	Change £m	Reason
Estimate as at Q2 2015/16		30.2	Capital Plan Update, 2015/16 Quarter 1
Joint Commissioning Team			
Childrens' Services			
2 Year Old Provision	Part Budget rephased to 2016/17	(0.1)	Priorities to be determined
Brookfield Project	Rephasing to 2016/17	(0.3)	Delays resulting from later land acquisition
Capital Repairs and Maintenance 15/16	Part budget to 2016/17	(0.1)	Some works to commence in Easter holidays
Devolved Formula Capital	Part budget to 2016/17	(0.1)	Some schools do not require funds in 2015/16
Education Review	Budget re profiled to 2016/17	(0.1)	Timing of likely expenditure reviewed
		(0.7)	
Joint Operations Team			
Community and Customer Services			
Torre Abbey Ph 2	Budget moved to 2016/17 and saving	(0.1)	Scheme saving and small budget to 2016/17
Transport - Edginswell Station	Additional budget	0.1	Funding to complete initial design work
Western Corridor	Budget re profiled to 2016/17	(0.8)	Latest forecast is that some of this scheme will be now be incurred in 2016/17.
		(0.8)	

Corporate and Business Services			
Torquay Inner Harbour Pontoons	New scheme	0.1	Provide additional berths
Fleet Purchases	Budget re profiled to 2016/17	(0.2)	No plans to purchase fleet in quarter four.
		(0.1)	
Estimate – Quarter Three 2015/16		28.6	

5.0 2016/17 Capital Strategy and Corporate Asset Management Plan

- 5.1 The proposed capital strategy is attached at Appendix 1. There are two significant changes in strategy, both of which are linked in part to feedback from the recent Corporate Peer Review.
- 5.2 Firstly there is an increased priority on capital projects that will generate future income to the Council to support its ongoing viability despite funding reductions.
- 5.3 In addition the strategy is more “open minded” to funding essential capital projects where there is no income stream by spreading the cost over a number of years by means of prudential borrowing.
- 5.4 The Capital Plan supporting information lists a number of projects that have been identified by officers as potential future capital projects. Within the overarching aim of supporting capital projects that will generate future income for the Council, this list will be reviewed and prioritised by the Executive Head of Business Services and reported back to a future meeting of the Council.
- 5.5 The Corporate Asset Management Plan is attached at Appendix 4. This is a key document that outlines the Council’s approach to all aspects of its asset management (excluding transport assets) including leases, disposals and maintenance.

6.0 Efficiency Strategy

- 6.1 As part of the local government finance settlement announced December 2015, councils now have an option of using capital receipts to fund the revenue costs of transformation schemes. Any proposed usage to be included as part of a Council approved “Efficiency Strategy” prior to the start of a financial year.
- 6.2 Precise details of this requirement have, at the time of writing this report, not been issued by DCLG. However due to the Council’s current outstanding capital receipts target of £1.7m to fund previous expenditure this option is not proposed to be used in 2016/17.

7.0 Expenditure

- 7.1 The Capital Plan Budget has been updated for any further revision to both projects and timing, resulting in the latest revision attached at Appendix 2. The Plan now totals £100 million over the 4 year period of which £29 million relates to 2015/16 and £41 million relates to 2016/17.
- 7.2 The purpose of this report and the monitoring statement attached is to highlight any existing or potential issues which may affect the delivery of the major projects included in the Plan and to consider any potential effect on corporate resources.
- 7.3 Expenditure to the end of this third quarter was £12.7 million with a further £5 million of commitments on the Council’s finance system. The expenditure of £12.7 million is only 43% of the latest budget for 2015/16. This compares with £10 million (or 49% of outturn) for the third quarter last year. It is recognised that for a number of schemes, notably the South Devon Highway (2015/16 budget £11.7m), the Council will not incur expenditure until later in the year.

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

7.4 Updates to Capital Plan

7.5 Joint Commissioning Team

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

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

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

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

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

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

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

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

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

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

7.11 Paignton Community Sports Academy - an accommodation issue has arisen unexpectedly at this school. The Council needs to provide some temporary accommodation for this September i.e. two mobiles at an expected cost of £0.5 m. It is planned to reallocate existing funds from the Childrens Services capital programme, and members are asked to approve this alteration.

Joint Operations Team

7.12 Community and Customer Services

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

- 7.14 Street Lighting Energy Reduction Phase 2 - a second phase of works to reduce energy consumption and carbon emissions from Highways street lighting has been approved by Council (on 10 December 2015) and added to the Capital Plan in 2016/17. The £1.1m scheme will replace existing lanterns with LED lanterns and will be funded by prudential borrowing and/or Salix funding.
- 7.15 Torre Abbey Phase 2 – there remains an unresolved issue with one of the contractors which could roll into next year. Otherwise there are no outstanding items and there should be a small saving of £0.06m on the scheme.
- 7.16 Transport Structural Maintenance – the Government has announced that part of the future years' funding provided to authorities is to be 'top-sliced' for an Incentive Fund. In effect this portion of funding cannot be guaranteed and will only be available if the Council can demonstrate it is delivering value for money in carrying out cost effective improvements. This element of funding has now been shown on a separate line in the Capital Plan and is not yet secure, pending the Government's assessment of the Authority's banding.
- 7.17 Transport – Invest to Save. To mitigate the impact of reducing revenue funding for highways over the next few years, the Council will seek examples from other Councils to consider a business case for a capital invest to save proposal for investment in the highway network to reduce future revenue costs.
- 7.18 Transport – Edginswell Station. Additional resources of £0.1m have been provided to complete initial design costs for this scheme, partly funded by S106 contributions and partly from Integrated Transport Block. Further funding still needs to be secured before the construction phase of the project can be considered. Since funding is not yet in place, it is unlikely that any construction will begin until at least 2017/18 so the budget has been transferred accordingly.
- 7.19 Transport – Western Corridor. - Following a review of likely expenditure levels £0.8m of the budget has been moved to 2016/17. The Tweenaway Cross to Waterleat Road Scheme was reappraised following more detailed estimates and preliminary design works. This delayed the scheme to be commenced towards the end of this financial year rather than being completed by that time. An interim widening scheme planned for the southbound approach to the Yalberton Road junction was also planned this financial year, however restrictions to comply with Wales and West Utilities requirements meant that the works could only be carried out after major service diversion works were completed and will therefore be carried out as part of the main junction widening in the next financial year.
- 7.20 Disabled Facilities Grants (DFG) – A Council decision is still required regarding the possible reallocation of £0.398 million of prior years' unallocated DFG resources. As a result it is recommended that the capital budget for the Disabled Facilities grant reserve of £0.398m (from prior year unspent DFG funds) is allocated to support capital 'invest to save' initiatives in both children's and adult social care. In relation to the 2015/16 DFG allocation of £1.0m, expenditure on DFGs at the end of December was £0.5 million, with a remaining budget for the year of £0.5m. There is currently no waiting list for grants. It is expected that the service will request that some of the 2015/16 budget to be moved to future years.
- 7.21 CCTV – It is recommended that prudential borrowing of £0.350 million to upgrade and update the Council's CCTV is approved to prevent system failure and realise future year revenue savings on support and maintenance contracts. Cost of borrowing of approx £45,000 per annum for 10 years to be included in future year revenue budgets offset by any future external contributions and reduced ongoing revenue costs.
- 7.22 IT Replacement – It is recommended that prudential borrowing of £1.0 million for a future IT Investment Fund for 2016/17 to 2019/20 be approved. Cost of borrowing of approx £125,000 per annum for 10 years to be included in future year revenue budgets. Allocation of the Fund to be by Executive Director of Operations and Finance in consultation with the Chief Finance Officer, the Executive Head – Customer Services and the Executive Lead for Customer Services. The aim is that this budget will fund the next four years of IT investment. It is likely that the majority of this spend will be used to replace IT licences and equipment as well as investment in new technology to realise revenue savings.

7.23 Corporate & Business Services

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

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

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

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

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

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

The allocation of the Fund, if criteria met, to be by Executive Director of Operations and Finance in consultation with the Chief Finance Officer and the Mayor.

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

8 Receipts & Funding

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

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

8.2 Grants

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

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

8.5 Capital Receipts

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

This target is expected to be achieved provided that -

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

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

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

8.9 Capital Contributions – S106 & Community Infrastructure Levy

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

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

- 8.12 Income from Section106 capital contributions so far in 2015/16 only amount to £0.02 million.
- 8.13 A recent Government announcement changed a number of rules relating to Section 106 agreements which now restricts these funds and will mean alternative funding sources may be required to fund some capital schemes, including the South Devon Highway, where £2.1 million of S106 (or CIL) funding was estimated.
- 8.14 In particular, since the South Devon Highway was completed before a CIL scheme was formally adopted, it is unlikely that the necessary funds can be generated for this scheme. This will mean that an alternative funding source will be required, presumably additional Prudential Borrowing. The increased revenue cost of this has been factored into the 2016/17 budget proposals.
- 8.15 It is expected that, linked to the adoption of the Local Plan late in 2015, a Community Infrastructure Levy scheme is due to be approved in 2016.

9.0 Borrowing and Prudential Indicators

- 9.1 There was no borrowing taken or repaid during the quarter.
- 9.2 The Council's capital expenditure has an overall positive impact on the Council's Balance Sheet. Expenditure in the Capital Plan on the Council's own assets will increase the value attached to the Council's fixed assets. As at 31 March 2015 the Council's "Non Current Assets" were valued at £307 million.
- 9.3 Council is being asked to approve Prudential Borrowing for various new schemes as outlined in the table below:

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

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

Appendices:

- Appendix 1 - Capital Strategy, October 2015 (updated Jan 16)
- Appendix 2 - Capital Plan summary – Quarter Three 2015/16
- Appendix 3 – Capital Plan Supporting Information (updated Jan 16)
- Appendix 4 – Corporate Asset Management Plan



CORPORATE CAPITAL STRATEGY

2016/17 REVISION

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Appendix 1 - Definition of Capital Expenditure

Produced By:

**Torbay Council,
Town Hall,
TORQUAY**

Contact Officer – Martin Phillips (Tel: 01803 207285)

1. **Introduction**

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

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

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

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

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

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

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

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

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

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

2. **Guiding Principles**

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

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

2.1 **Approach to Borrowing**

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

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

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

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

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

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

2.2 Grants

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

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

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

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

2.3 Capital Receipts and Capital Contributions

The Council receives capital receipts and capital contributions from:

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

Asset Disposals

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

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

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

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

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

Asset Disposals at nil consideration or below market value.

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

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

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

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

Right-to-Buy Clawback

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

S106 contributions and Community Infrastructure Levy (CIL)

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

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

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

Repayment of loans for a capital purpose

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

2.4 Revenue & Reserves

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

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

2.5 Prioritisation and Approval

It is always difficult to make choices between competing priorities within a top tier Council that delivers so many varied services. In light of the significant ongoing financial challenges facing the Council the Council will prioritise capital projects that result in increased income to the Council. A Capital Reserve list is maintained. It will also be important to ensure sufficient flexibility to take advantage of any funding opportunities that may occur mid year or fill any gaps where slippage occurs.

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

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

If a scheme is to be funded from (previously approved) allocations the scheme will be approved by the Executive Director in consultation with the Mayor/Executive Lead for Finance and Chief Finance Officer and progressed when funding confirmed or,

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

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

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

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

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

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

2.6 Alternative Funding and Delivery Opportunities

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

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

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

2.7 Investment Opportunities

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

Appendix 1 - Definition of Capital Expenditure

Capital investment is simply described as:

Expenditure on the acquisition, creation or enhancement of “non current assets”

(non current assets are items of land & property which have a useful life of more than 1 year)

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

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

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

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

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

Subsequent Capital Expenditure on an asset is defined as:

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

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

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

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

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

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

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

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

CAPITAL PLAN - QUARTER 3 2015/16 - EXPENDITURE

						Revised 4-year Plan Jan 2016				
	Latest Est Scheme Cost	Actuals & Commitments 2015/16 Qtr 3	Previous 2015/16 (@ Q2 15/16)	2015/16 Q3 Adjustments	New Schemes 2015/16	Total 2015/16 Revised	2016/17	2017/18	2018/19	Total for Plan Period
Harbour Workboat	45					0	45			45
FB Investment Fund	10,000					0	5,000	5,000		10,000
Meadfoot Sea Wall structural repair	268	5	4	2		6				6
FB NGP - Torbay Innovation Centre Ph 3 (EPIC)	6,600		100			100	3,431	3,000		6,531
Oddicombe Beach Chalets	193	34	36			36				36
Old Toll House, Torquay	150		75			75	71			146
Princess Pier - Structural repair (with Env Agency)	1,744		0			0	1,744			1,744
Riviera Renaissance (Coastal Communities Fund)	649	1	1			1	0	0		1
Sea Change - Cockington Court	3,285	3	3			3				3
Small Ports Recovery Fund - Winter 13/14	295		4			4				4
FB TEDC Capital Loans	2,475	978	1,285			1,285	1,190			2,475
Torquay Harbour - Inner Harbour Pontoons	48	(5)			48	48				48
	58,336	2,153	3,537	(140)	48	3,445	24,420	8,750	1,500	38,115
TOTALS	76,103	17,781	30,156	(1,636)	48	28,568	41,410	23,219	6,748	99,945
CAPITAL INVESTMENT PLAN - QUARTER 3 2015/16 - FUNDING										
Unsupported Borrowing			13,008	(140)		12,868	19,322	9,171	2,789	44,150
Grants			14,501	(1,066)		13,435	18,679	13,716	4,237	50,067
Contributions			330	43		373	252			625
Reserves			142	(64)	48	126	1,167	253	(396)	1,150
Revenue			818			818	229	79	118	1,244
Capital Receipts			1,357	(409)		948	1,761			2,709
Total			30,156	(1,636)	48	28,568	41,410	23,219	6,748	99,945



CAPITAL PLAN 2016/17 TO 2019/20

SUPPORTING INFORMATION

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Produced By:

**Torbay Council,
Town Hall,
TORQUAY**

Contact Officer – Martin Phillips (Tel: 01803 207285)

1. Introduction

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

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

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

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

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

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

2 Capital Funding 2016/17

2.1 Capital Grants: - Reoccurring Grants

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

- 2.1.1 Devolved Formula Capital. This is a ring fenced grant to support school capital expenditure. As ring fenced to schools there is no Council discretion.
- 1.1.2 Basic Need – Schools. This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to schools. Therefore no decision is required for 2016/17.
- 1.1.3 Condition – Schools. This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to schools. Therefore no decision is required for 2016/17.
- 1.1.4 Transport – Structural Maintenance. This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to transport. Therefore no decision is required for 2016/17.
- 2.1.5 Transport - Integrated Transport - This is an un ring fenced grant but Council has already allocated the previously announced 2016/17 allocation to transport. Therefore no decision is required for 2016/17.
- 2.1.6 Disabled Facilities Grants (DFG) - This is part of the Better Care Fund therefore it will be allocated to Disabled Facilities Grants or other social care and health initiatives.
- 2.1.7 Adult Social Care - This is part of the Better Care Fund therefore it will be allocated to social care and health initiatives.

2.2 Capital Grants: - Project Specific Grants

The Council continues to bid for additional external grant funding but, in line with the capital strategy, restricts schemes to those which support corporate priorities or statutory service objectives and where it can be proved that the project is sustainable, and requirements for match-funding and

future revenue consequences have been considered and approved. All bids are to be agreed with the Mayor and Executive Director prior to submission.

Funding Bids are made to a number of agencies including:

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

2.3 Capital Receipts and Capital Contributions

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

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

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

2.4 Borrowing

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

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

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

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

2.5 Alternative Funding and Delivery Opportunities

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

2.6 Prioritisation and Capital Reserve List

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

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

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

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

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

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

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

2.7 Options

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

These include:

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



Corporate Asset Management Plan

2015 to 2019

2015/16 REVISION

FOREWORD

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

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

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

.....
Mayor & Leader of Torbay Council
Gordon Oliver

.....
Torbay Council Executive Director
Steve Parrock

CONTENTS

- 1.0 Plan Context
- 2.0 Asset Management Practice Objectives and Principles
- 3.0 Organisation
- 4.0 Consultation
- 5.0 Performance Monitoring
- 6.0 Challenges and Opportunities

Appendices

- AM-A SAMP Template
- AM-B Key Asset Management Performance Indicator Analysis
- AM-C Torbay Online Asset Database Extracts
- AM-D Property Strategy Action Plan (PSAP)
- AM-E Tenanted Non-Residential Property Portfolio Strategy and Review Action Plan
- AM-F Community Asset Transfer Policy

EXECUTIVE SUMMARY

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

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

The overarching objectives of the CAMP are to:

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

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

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

1.0 PLAN CONTEXT

Torbay Council's ambitions are for:

“A Prosperous Torbay” and “A Healthy Torbay”

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

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

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

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

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

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

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

2.0 ASSET MANAGEMENT PRACTICE, OBJECTIVES & PRINCIPLES

Best Practice in Asset Management

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

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

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

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

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

Regeneration Objectives

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

Heritage

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

Asset Management Principles

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

To manage assets strategically:

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

To continuously maintain and improve assets:

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

To release value and minimise cost:

- Due to the financial challenges facing the Authority and the possible future reductions in Revenue Support Grants (RSG), unless there is specific approval at Full Council to the contrary, the Council will:
 - Always seek to maximise the full market receipt for their assets whether by way of freehold disposal or leasehold interest
 - Seek to maximise revenue streams either through development or retention of the asset base
 - Ensure that receipts obtained from disposals will be used to deliver the Capital Strategy which will have an emphasis on investing in revenue generating opportunities
 - Not restrict or reduce the current or future value of its assets through the use of contractual restrictions, covenants, peppercorn rents
 - Ensure any grant from the Council to assist with a tenant's rent will be reviewed annually
- Undertake a strategic review of all assets to identify performance and yield and challenge the manner of use of all assets for the potential to generate additional revenue. Where assets are underperforming we shall seek future investment creating alternative uses or look to dispose of assets and reinvest capital receipts in the capital programme or other investment opportunities.

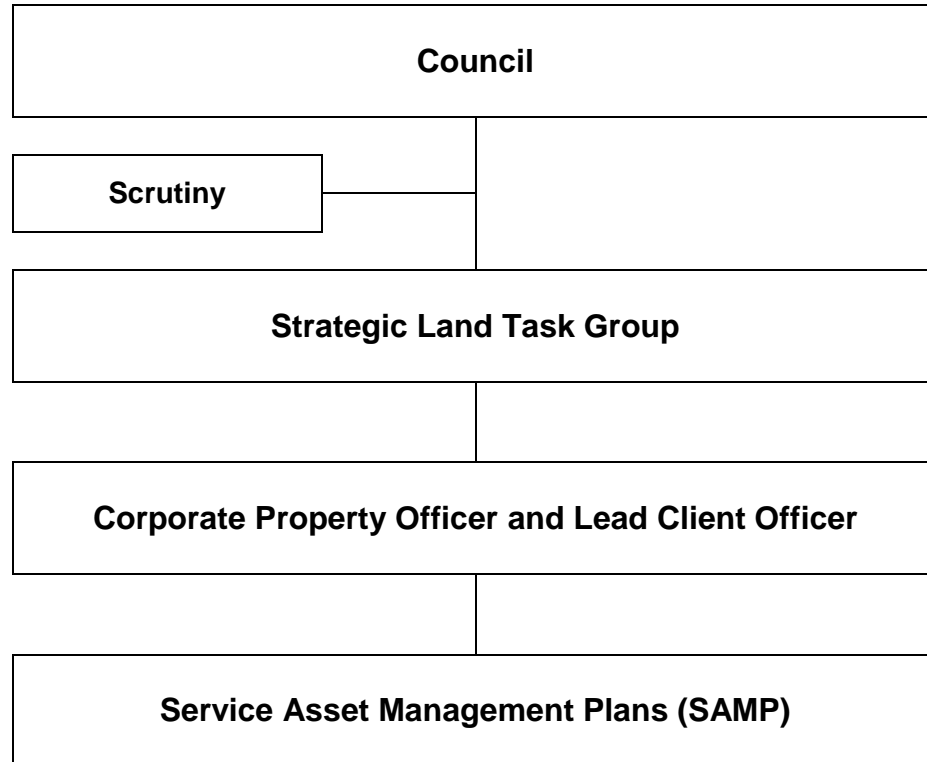
- Monitor the market for investment opportunities, principally in Torbay but not exclusively and look to acquire new assets where the yield offers a better return on investment
- Ensure the Council's disposal list is effectively implemented
- Continue to ensure that non operational investment properties are performing
- Monitor running costs to target potential savings and implement more cost alternative solution
- Provide effective facilities management to assets, including energy efficiency and carbon reduction programmes

To provide accurate data for informed decision-making

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

3.0 ORGANISATION

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



Service Asset Management Plans (SAMP)

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

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

Corporate Property Officer (CPO) and Lead Client Officer

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

Strategic Land Task Group

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

Capital Strategy and Plan

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

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

The Capital Strategy should be referred to for further detail.

4.0 CONSULTATION

Consultation with the Community

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

Consultation with Stakeholders and Services

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

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

5.0 PERFORMANCE MONITORING

Corporate Asset Management Monitoring

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

Key Asset Management Performance Indicators

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

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

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

6.0 CHALLENGES AND OPPORTUNITIES

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

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

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

6.1 Regeneration and Housing

Where we are now

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

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

Actions to date

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

Where we need to be

- Ensuring that the Council uses its assets and powers to effectively promote and facilitate employment growth, inward investment and regeneration
- Working together including with the private sector to deliver the Regeneration programme which will include Council assets
- Ensuring all investment in the Bay supports the Council's economic growth objectives and has widespread regenerative benefits
- Ensure all projects are consistent with the Council's planning policy framework (Torbay Local Plan)
- Ensuring maximum funding is secured from all possible public sector funds
- Promoting the new South Devon link road between Torquay and Penn Inn

Issues

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

Action Plan

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

Risks

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

Benefits

- A joined up regenerated Bay
- Private sector involvement to help facilitate regeneration of Torbay
- Successful implementation of the economic strategy and local plan leading to economic prosperity for the Bay
- Improved Corporate property values by raising and improving the economic profile of the Bay
- To increase supply of affordable homes for rent and shared ownership to meet the needs of local people
- Heritage Assets improved
- Improve the value generated from Council assets

6.2 Suitability of Assets

Where we are now

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

Actions to date

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

- Service Asset Management Plans have been developed for all services
- Opportunities for change of use are specifically considered cross service
- A number of surplus assets have been disposed of or identified for disposal
- A review of assets with potential for affordable housing use has been carried out
- A comprehensive review of Community Services assets has been instigated
- Development of a five year rolling programme of condition surveys and a five year maintenance plan
- Suitability survey template established and completed by most services which then feeds into the Suitability Performance Indicator
- In April 2015, approximately £1.7m of premises budgets were centralised within the TEDC's Asset Management Team. This has allowed the effective prioritisation of repairs, efficiencies in completing works and ensures repairs are strategically assessed.

Where we need to be

Torbay Council needs to develop the review of assets in a way that ensures:

- All assets are suited to the purpose for which they are used
- An effective means to constantly review and challenge the use of assets
- A review of the council's substantial portfolio of Tenanted Non Residential Property (TNRP) principally around the reasons for holding the assets. See Section 6.11 for further details
- Disposal of assets that are surplus to the Council's requirements

Issues

- Continuation of the Service Asset Management Plans and Suitability Surveys are essential to provide the background information required to develop a 5 year property plan and investment strategy. These will form the basis of a property review. The plans will be subject to a challenge process by the Strategic Land Task Group
- The Disposal Programme is being progressed
- The Action Plan particularly in regard to service asset management plans is a comprehensive project which will require resources if it is to be delivered

Action Plan

Action	Target Date	Responsibility	Current Status
Completion of all Service Asset Management Plans	Ongoing	CPO with service heads	100% Achieved
Complete Suitability Surveys	Ongoing	Service users / CPO	Achieved
Maintain 5-year rolling Maintenance Programme	Achieved	CPO / TEDC	Achieved and Ongoing
Maintain rolling programme of Condition Surveys	Achieved	CPO / TEDC	Achieved and Ongoing
Continue programme for asset disposal	Ongoing	CPO / Heads of Service	Ongoing
Consider centralising all R&M budgets to allow strategic allocation and investment	March 2016	CPO / Head of Asset Management	Phase 1 Completed April 2015
Review and consolidate the range of asset meetings that take place	December 2014	CPO / Head of Asset Management	Completed

Risk

There is a high risk that without these actions to deliver a more structured and comprehensive approach opportunities for improvement and reduction in costs will be missed.

Benefits

The proposed strategy will deliver:

- A coordinated planning process from front line service delivery to corporate decision making
- Clear identification of areas requiring priority action
- Improved data and information to enable informed decision making
- Efficiencies in raising orders
- A clear plan for the improved use of assets for all services linked to Council priorities
- Better identification of surplus assets and potential capital receipts for funding priority schemes
- A direct benefit to all the Corporate Plan Key Objectives

6.3 Asset Rationalisation Project

Where we are now

The further development of Torbay Online Asset Database (TOAD) has produced significant levels of data that has assisted in a comprehensive review of the Council's assets. This initially identified circa 100 potential assets for disposal. These were all scored and reviewed for planning, ownership and valuation issues in order to produce a matrix and disposal programme and community consultation took place. In May 2008 a report went to Cabinet and it was agreed that 36 assets were declared surplus, 5 assets would be retained and the Council would invite community interest for the possible transfer of 2 assets. A further 5 Assets were approved for disposal in July 2009, another 5 in October 2010, another 5 in May 2013, another 10 in May 2014 and an additional 2 assets in September 2014. This process needs to be ongoing to ensure an annual review of further assets that can be sensibly disposed of where they are proven to have no operational or financial justification to be retained.

Due to the financial challenges facing the Authority and the possible future reductions in Revenue Support Grants (RSG), unless there is specific approval at Full Council to the contrary, the Council will:

- Always seek to maximise the full market receipt for their assets whether by way of freehold disposal or leasehold interest
- Seek to maximise revenue streams either through development or retention of the asset base
- Ensure that receipts obtained from disposals will be used to deliver the Capital Strategy which will have an emphasis on investing in revenue generating opportunities
- Not restrict or reduce the current or future value of its assets through the use of contractual restrictions, covenants, peppercorn rents
- Ensure any grant from the Council to assist with a tenant's rent will be reviewed annually

The Council will undertake a strategic review of all assets to identify performance and yield and challenge the manner of use of all assets for the potential to generate additional revenue. Where assets are underperforming we shall seek future investment creating alternative uses or look to dispose of assets and reinvest capital receipts in the capital programme or other investment opportunities.

The market will be monitored for investment opportunities, principally in Torbay but not exclusively and look to acquire new assets where the yield offers a better return on investment

Actions to date

The following actions have been completed:

- The first Community Asset Transfer was completed in February 2012 (See Section 6.10 for further details about the CAT process)
- Thirty nine assets have been sold (December 2015)
- There have been total receipts of £5,950,850, an aggregate saving on repairs and outgoings of £985,020 and further yearly savings of £80,805
- The sale of vacant sites has enabled the provision of 119 new residential units
- A Comprehensive Matrix Based Assessment of each asset including legal, planning and valuation matters
- Consultation on the possible disposal list to all elected Members, Community Partnerships, Brixham Town Council and Members of Public

- Currently community interest for the possible transfer of 1 asset
- The development and Member approval of a Community Asset Transfer Policy
- The appointment of an auctioneer to assist in the disposal programme
- Press advertisements and notices erected on sites inviting Community organisations to confirm/make an initial expression of interest in any of the confirmed disposal list of properties
- Generic Disposal Assessment procedure prepared and flowcharted

Where we need to be

- The disposal programme is inhibited by the level of resource available and therefore to accelerate this programme and increase the level of receipts, 4% of all disposal receipts will be used to cover the cost of the additional resource required to deliver the disposal programme

Torbay Council needs to dispose of more non essential and poorly utilised assets to:

- Maintain efficiency
- Service the capital programme by bringing forward assets for disposal as the programme dictates
- Achieve wider regeneration objectives as appropriate
- Dispose of assets that no longer have valid use or are not cost effective

Issues

- The number of potential assets for disposal present some considerable challenges to ready them for disposal - this is an intensive and time consuming project
- The current state of the property market may delay progress on sales
- If it is seen appropriate to obtain planning permissions prior to selling assets this will cause a delay
- Demand from services for assets which have been declared potentially surplus
- Future Government Legislation and Local Policies such as Local Development Orders to create enterprise areas

Action Plan

Action	Target Date	Responsibility	Current Status
Regular review of assets for disposal	Ongoing	CPO with service heads	Ongoing
Provide Interface with Internal Stakeholders	Ongoing	CPO with service heads	Ongoing
Prepare Generic Disposal Assessment procedure	Achieved	CPO with service heads	Ongoing as requirements change
Review the effectiveness of the Community Asset Transfer policy	March 2015	CPO / Head of Asset Management	Completed
Progress the Disposal Programme	Ongoing	Agents, Estates Officers, CPO	Ongoing
Review financial and standing orders regulations relating to disposals and new leases	April 2016	Estates Manager	Ongoing

Risks

- There is a high risk that without these actions and more resource, opportunities for driving value or delivering regeneration may be missed
- The Property Market
- There is a high risk that demand from services for assets will have an effect on receipts

Benefits

The proposed strategy will deliver:

- A coordinated process of disposals and asset rationalisation
- Assets from which to drive capital receipts
- Assets that can help the economic and social regeneration of the Bay

6.4 Economic Development of Council Assets

Where we are now

Torbay, in common with other coastal resorts, has a narrow economic base with the dominant employment sectors, including hospitality and retail, being primarily low pay. There are opportunities for the growth of the local economy by concentrating on sectors where there are local strengths and where the following sectors having demonstrated the potential - the re-emergent advanced electronics and engineering, marine, fisheries, professional services and the health economy.

To deliver the Council's economic strategy objectives and support the growth of local businesses, attracting new investment is essential in order to create the physical environment and conditions for growth. Council assets, including highways infrastructure therefore have a direct role in developing growth and should be developed in a way that supports that aim.

Short term focus is required to ensure that appropriate assets are used to deliver economic infrastructure and employment land to support growing local businesses and inward investment.

Actions to Date

The Council has recognised the impact of assets on developing the economy and the following actions have been implemented:

- The establishment of the Torbay Economic Development Company (TEDC) with a specific commission to create economic initiatives and develop and implement strategies including inward investment, the physical regeneration programme and the tourism strategy
- Development schemes to further improve Torquay harbour area and Torquay town centre
- A regeneration scheme for Brixham harbour area
- A regeneration scheme for Paignton town centre including Oldway redevelopment
- Development of two new work hub facilities at Brixham & Torquay
- Bids have been submitted to deliver a new Innovation Centre supporting the electronics and photonics centre
- Funding obtained to open up Claylands employment site in Paignton
- The Council has tendered opportunities for the development of Torquay Town Hall car park in pursuit of a range of economic benefits
- A new Paignton and Community library/advice centre

Where we need to be

Torbay Council needs to develop the use of assets in a way that delivers:

- A high quality holiday / tourism environment
- Attractive growth and relocation opportunities for new and existing businesses that supports delivery of the inward investment programme, new business and an increase in the business rate base for Torbay
- Business and employment opportunities for young local people to remain in Torbay
- Economic diversity
- Good working partnerships with community, local groups such as Torbay Coast & Countryside Trust (TCCT) voluntary and private sectors
- Improved retail environment
- Realistic opportunities for asset transfer
- The right infrastructure for growth in the marine and maritime sectors
- To aggressively bring forward serviced employment land for future development to support the opening of the South Devon Link Road

- Work continues with key projects within the Employment & Regeneration programme to produce suitable development schemes e.g. additional workspace for new and growing businesses and the identification of other sites appropriate for business growth such as Torquay Gateway and at Whiterock, Paignton; better sports facilities at Clennon Valley, Paignton; Palm Court redevelopment, Oldway and facilitating a new supermarket into Brixham Town Centre and producing suitable development schemes for the Town Centres / harbour areas
- Ensuring maximum funding is secured from all possible public sector sources
- The aspiration of undertaking capital schemes which create jobs and/or generate income should be strengthened and consideration given to the further diversification of the Council's portfolio to meet these aims
- The Council will consider purchasing properties for investment purposes

Issues

- There is a need to continue linkages and communication through the commissioned services to ensure a coordinated approach to development opportunities
- Disposal process needs to be co-ordinated with the economic development strategy
- The ongoing financial pressures facing the Council
- Reduced funding pots

Action Plan

Action	Target Date	Responsibility	Current Status
Establish regular dialogue between services and TEDC	Immediate	CPO / TEDC	Ongoing process
Develop planning application for Claylands site in Paignton for commercial use	2016	Council / TEDC / Private Sector	Ongoing
Work with local groups such as TCCT to help redevelop local assets for the benefit of the community	Ongoing	Torbay Council / TEDC	Ongoing
Seek funding for Electronics & Photonics Innovation Centre	2016	TEDC	Ongoing

Risks

There is a high risk that without these actions, the economy of Torbay will decline and hinder delivery of the Council's Strategy.

That employment land designated elsewhere will be land banked or not developed quickly enough to respond to growth needs within the local economy.

Benefits

The proposed strategy will deliver:

- Assets that benefit economic growth wherever possible
- Partnership approaches to regeneration and development schemes
- Additional receipts to fund Corporate objectives
- Increased business rate income for the Council
- A direct benefit to the Corporate Plan
- Improved Heritage Assets

6.5 Repair and Maintenance

Where we are now

Torbay Council has a significant and serious issue regarding the disrepair of assets in common with many other local authorities. Backlog repairs totalling £22 million (excluding schools and leased out assets where Torbay Council have no responsibility for repairs and maintenance) have currently been identified of which almost £9.2 million (excluding schools and leased out assets where Torbay Council have no responsibility for repairs and maintenance) are categorised as urgent (Priority 1). Expenditure on repairs totalled almost £1.6 million during 2014 to 2015 and the backlog will not be eradicated without additional activity. In excess of £10 million of additional areas of capital expenditure have been identified over the last 5 years. This is as a result of the improved data collected and as a result of TOAD becoming more comprehensive and areas such as piers and multi storey car parks amongst others being further investigated. This is not necessarily new repairs but repairs that have been outstanding for a long period of time and have now been formally identified and assessed. Repairs and maintenance on Council schools are funded by a specific government grant.

Estimated backlog value presently excludes costs relating to major repairs at Torre Abbey (Phase 3), Sea Defences, some promenades and decorative lighting.

Actions to date

The Council continues to implement a repair programme to address disrepair that has succeeded in sustaining assets in a condition that has enabled continued service delivery. The following actions have been implemented for non schools:

- Expenditure is prioritised through an assessment system managed through Council R&M Review meetings
- A repair and maintenance programme is developed which prioritises works by condition grading and priority level. This is developed in consultation with relevant service heads and is monitored at Council R&M Review meetings
- A rolling record of outstanding repairs is updated by condition surveys carried out by the TEDC Property Services Team and TEDC Structural Engineers when required. The data is kept within TOAD
- The repair and maintenance budget and responsibility for expenditure has been centralised within the TEDC Asset Management Team
- A five year rolling Condition Survey programme is underway
- A move to a 70:30 split between planned and reactive maintenance
- When condition surveys have been completed, notification is sent to the building asset manager

Where we need to be

Torbay Council needs to continue implementing repair programmes and developing strategies to deliver:

- Year on year reduction in backlog repairs that will ultimately remedy the backlog
- A reduction in Category D /Priority 1 repairs by 2018
- Comprehensive and accurate data defining the current condition of all assets and data management to track all works
- Integration of schools maintenance programme
- A move to life cycle costing and the development of a long term planned maintenance programme
- In some instances there is no prospect of sufficient funding being made available to repair an asset. Solutions need to be developed linking to regeneration or asset rationalisation or private sector investment need to be considered, including the use of Prudential borrowing

Issues

- Based on current levels of R&M expenditure the overall backlog is increasing to such an extent that the Council's planned expenditure is not currently keeping place with inflation and whilst the overall backlog continues to deteriorate, some individual assets are deteriorating beyond repair
- The Council's total central Repairs and Maintenance expenditure for 2014-15 (including schools) represents 1.35% of the Council's net budget
- A budget increase is required if there is to be any meaningful progress in reducing backlog repairs
- Significant issues have been identified with areas such as Multi Storey Car Parks and piers amongst others
- In some instances other services are unilaterally commissioning repairs and maintenance. Further service consolidation should improve efficiency and reduce overheads
- Data management has been significantly improved and is a very useful and integral management tool in the effective management of R&M

Action Plan

Action	Target Date	Responsibility	Current Status
Develop and fully Utilise Planned Maintenance Data	Ongoing	CPO / TEDC	Ongoing
Maintain rolling programme for Condition Surveys	Achieved	CPO / TEDC	Achieved and Ongoing
Maintain the rolling programme of prioritised R&M	Ongoing	CPO / TEDC	Achieved and Ongoing

Risk

Whilst there is no immediate risk of failure of any particular asset there is a high risk that without these additional actions the current poor condition of assets will continue to deteriorate.

Benefits

The proposed strategy will deliver:

- A continual improvement in the condition of assets and service delivery
- Improved data and understanding regarding the condition of assets
- Best value for money procurement of remedial works complying with procurement regulations
- Effective project management of major works
- A reduction in the fall in value of assets due to deterioration in condition
- A direct benefit to all the Corporate Plan Key Objectives

6.6 Asbestos/Water Hygiene

Where we are now

Torbay Council has many assets of an age, use and type of construction that results in the presence of asbestos within their construction. A Corporate Policy for Asbestos has been put in place in recognition of that and the need for effective data and control to avoid health risks. The aim of providing up to date and maintainable asbestos registers for all assets has been set and an implementation plan put in place. A Corporate Policy on water hygiene has been prepared. A Water Hygiene monitoring programme has been implemented. A Water Hygiene Risk Assessment of each asset has been completed and remedial works are in progress.

Actions to date

The Council has nominated TEDC Property Services Team to take responsibility for asbestos and the following actions have been implemented:

- A formal Asbestos Policy outlining roles, responsibilities and action plans has been ratified by the Council
- A specific contact point for asbestos has been established
- An external partnership asbestos consultant has been appointed to provide the required level of technical expertise for fully detailed survey work
- A survey programme has been commissioned
- All corporate assets have now received a Type 2 asbestos survey and the reports are available on TOAD
- Assets which have incidences of asbestos containing materials are re-inspected upon an annual basis to check for possible deterioration of the asbestos which may be harmful to occupants and visitors
- Water Hygiene Draft Corporate Policy has been completed
- A Water Hygiene contract commenced in 2008 ensuring that all corporate assets are monitored and maintained to help reduce the risk of an outbreak of Legionnaires disease in line with current legislation. This was retendered and awarded in 2012
- Water Hygiene risk assessments are in place and updated by the responsible building manager when changes occur to the asset water service systems
- Asbestos Report and Water Hygiene Reports have been integrated and made available from TOAD
- Asbestos reports have been made available to Service Heads and explained to building managers

Where we need to be

Torbay Council needs to continue implementing the structured action plan to deliver:

- Awareness of and compliance with the Council's Asbestos and Water Hygiene Policies

Issues

- Continuing the ongoing annual Asbestos inspections are required together with weekly and monthly water hygiene monitoring of assets

Action Plan

Action	Target Date	Responsibility	Current Status
Introduce enhanced control and monitoring to ensure Contractors are aware of Asbestos issues	Immediate	CPO / TEDC	Achieved and Ongoing
Maintain rolling programme of re- inspection	Achieved	CPO / TEDC	Achieved and Ongoing
Introduce a Water Hygiene Monitoring process with an approved contractor	Achieved	CPO / TEDC	Achieved and Ongoing
Update Risk Assessments of water systems when required	Achieved	Building Manager / TEDC	Achieved and Ongoing
Review assets which require Asbestos and Water Hygiene Surveys	March 2016	TEDC	

Risk

There is a high risk that without these actions health and safety regulations will be breached resulting in health risks and the closure of assets.

Benefits

The proposed strategy will deliver:

- Improved data and understanding of assets
- Compliance with statutory requirements and duties of care
- Safe working environments for contractors carrying out works
- A direct benefit to the Corporate Plan

6.7 Energy Management

Where we are now

Torbay Council spend on energy in the financial year 2013/2014 was £1.8 million including schools (but not academies). The Council spend on water 2014/2015 was £501,000.

Effective energy management will continue to reduce consumptions and lower emissions across Torbay Council's Corporate Estate, reducing costs to the tax payer. The reduction of leased in assets by Torbay Council will continue to affect the figures. Torbay Council's Corporate Energy Management Strategy strives to promote the use of energy and water in a way that positively assists Torbay Council in delivering the priorities from the Corporate Plan.

Actions to date

- Torbay Council has recognised the matters of carbon management and associated topics with the production of the Corporate Energy Management Strategy
- A Salix fund of £280,000, part funded by Salix is managed by the Principal Services Engineer. This is to help lower energy consumption.
- LED & Control street lighting has been introduced across Torbay producing a significant reduction in energy consumption
- The Council has recently been awarded a Salix loan of £380k for street lighting

Where we need to be

Torbay Council needs to continue with the implementation of the structured action plan to deliver:

- Consumption reduction of 1% per annum
- Identify and explain the objectives, importance and best practice processes of effective corporate energy management

Action Plan

Action	Target Date	Responsibility	Current Status
Reduce consumption by 1% per annum	Ongoing	Property Services	Ongoing

Risk

The activities that will deliver the year on year targets for the reduction of utilities consumption are set out in the Carbon Management Plan and the Climate Change Strategy. These can only be delivered with the cooperation of all the Council staff, together with top down support and 'buy in' from the Council management structure.

Benefits

The strategy will deliver:

- Reduced energy consumption
- Lower emissions
- Reduced costs

6.8 Office Rationalisation

Where we are now

The Office Rationalisation Project (ORP) is now essentially about relocating staff to reduce the number of buildings that we operate out of and thus lower our ongoing costs e.g. rents, maintenance, heating and energy, etc. and to ensure that all Council owned assets are fully utilised to ensure efficient service delivery.

As the organisation changes and overall staff numbers continue to fall, ORP Board will work with Managers and Executive Heads to support on-going re-structures.

As part of the project, planning and implementation has taken place for the next set of office moves along with some limited aspects of refurbishment. This will support the overall project objective to rationalise the number of buildings the council operates in.

Actions to date

- Staff fully vacated from Oldway Mansion, Roebuck House and Union House
- Public Health who now fall under Council control have re-located from St Edmunds to Torquay Town Hall
- Lower Ground Floor Torquay Library refurbishments have now been completed and Community Services are located within the same building
- New shower and changing facilities at Torquay Town Hall have opened to support the Authorities Green Travel Plan and additional bike racks
- Created a stand alone Children's Safeguarding hub within 87 Abbey Road
- Returned vacant possession back to the Landlord for Pearl Assurance House and staff relocated
- Returned vacant possession back to the Landlord for Commerce House and staff relocated

Where we need to be

- Further review of project business case in light of the potential change in the Council's office space requirements, as a result of any outcomes from the ongoing Council budget setting process

Action Plan

Action	Target Date	Responsibility	Current Status
Vacate Pearl Assurance House	31 st March 2014	ORP Board	Completed
Vacate ground, 1 st and 3 rd floor of Commerce House	31 st August 2014	ORP Board	Completed
Refurbishment of 87 Abbey Road for Safeguarding & CIS teams	January 2014	ORP Board	Completed
Aspen Way - accommodation options	n/a	ORP Board	Completed

Risk

If rigorous action is not pursued on the ORP then the Authority risks continued inefficient use of office space in its buildings and therefore significant savings are not being realised. Managing change needs to be factored in to future moves as staff morale may be lower if office moves coincide with major redundancies or disbursement of existing teams

Benefits

- Efficient use of office accommodation
- Savings generated through the efficient use of office accommodation
- Authority has an office building in Tor Hill House which is an improved asset
- By undertaking some office moves, service transformations can take place to improve service delivery
- Future-proofing all further moves will enable subsequent team or departmental changes or reduction of staff numbers to happen more easily with minimum disruption to overall service delivery

6.9 Data Management

Where we are now

Torbay Council has inherited assets from several sources during development to unitary status in 1998 and has a large and diverse portfolio. Gathering consolidated and maintainable data has therefore proved challenging and underpins progress in many other areas. An option appraisal resulted in the development of the Torbay Online Asset Database (TOAD) being chosen as the best solution.

We are currently looking to procure a replacement system for TOAD which in addition to the current capabilities will incorporate the facilities management helpdesk and the room booking facility.

Actions to date

The Council has achieved significant progress in improving asset data systems and the following actions have been implemented:

- The central register of assets has been reviewed and fully reclassified to reflect the Council's existing structures
- Modules providing valuation, condition, lettings and DDA data have been developed and linked to the TOAD central register
- Facilities for attaching CAD plans, Asbestos Reports, Water Hygiene Reports, location plans and photographs have been developed and linked to the TOAD central register
- Formal protocols have been established for the entry and update of existing categories of data
- An operators manual and training programme has been completed
- The reporting module has been further developed
- Introduction of a new valuation module by Real Asset Management (RAM)
- Integration on RAM of Torbay's Individual Fleet Vehicles and Plant

Examples of TOAD data information screens are attached at Appendix AM-C.

Where we need to be

Torbay Council needs to continue implementing the structured action plan to deliver:

- Asset data that is comprehensive, accurate, maintainable and easily accessible
- Integration of data on Transport Infrastructure Assets including Harbours, Highways and Bridges
- Asset data that can be readily realigned to changes in service delivery and partnering
- Publish asset data on a monthly basis as per the Local Government Transparency Code 2014

Issues

- 2016/17 transport infrastructure assets to be accounted for. Comparison data for 2015/16 will be required

Action Plan

Action	Target Date	Responsibility	Current Status
Complete Training manual and establish training programme	Ongoing	Asset Registrar	Achieved and training is ongoing as required
Continue to update and maintain the asset data	Ongoing	Asset Registrar	Ongoing
Continue to update the linkage between MapInfo & TOAD	Ongoing	Asset Registrar	Ongoing
Inclusion of transport infrastructure assets valuation data on RAM	2016/17	Asset Registrar	
Publish asset data as per the Local Government Transparency Code 2014	February 2015	Head of Asset Management / Asset Registrar	Completed and ongoing on an annual basis
Procure a new asset database solution	March 2017	Head of Asset Management / Asset Registrar	

Risks

There is a risk that without continuing these actions and without support from Commissioned Services asset data will become inaccurate and hard to access hindering effective analysis and decision making. The asset database is an in house system and so there is a risk that staff changes could impact on the system.

Benefits

The proposed strategy will deliver:

- Comprehensive asset data held at one source
- Ease of access to data for all relevant persons
- Asset data in a form that can be updated and maintained as a live and current record
- An enhanced ability to identify specific issues, excessive costs and inefficient use
- An enhanced ability to monitor and report performance
- A direct benefit to all the Corporate Plan Key Objectives

6.10 Community and Shared Use

Where we are now

Torbay Council operates in partnership with many other organisations in delivering services to Torbay. The need for providing integrated services to the community results in shared use providing many advantages. Shared use also enhances the opportunity to use diverse assets in more suitable ways. The need and desire to use assets in a shared way will increase and provide opportunities for resolving other asset issues.

The Quirk Review looked at the clear benefits to local groups owning or managing community assets – such as community centres etc. The review is focused on how to optimise the community benefit to publicly owned assets by considering options for transfer of asset ownership and management to community groups. In response to the Quirk Review the Cabinet approved the Community Asset Transfer (CAT) Policy on 27 May 2008 and the policy was enacted from August 2008. Through the introduction of the Localism Act 2011, Government has reignited local discussion about how councils can make the most of assets to meet community needs in a challenging financial climate.

A decision was taken at the Council meeting on 15 May 2013 to set up a Community Development Trust (CDT). 2 staff from the Communities Team helped to set-up the company and have now been transferred to the CDT.

The Council has committed £100K per annum for 3 years to support the development of the CDT business plan via a service level agreement (or similar) (“SLA”) and delegated to the Executive Head Community Safety in consultation with the Executive Lead Community Safety and Communities the amount of funding to be made available to support the development of the CDT business plan and the content of the SLA.

The intention is that the Council works with the Voluntary and Community Sector (“VCS”) to review each party’s assets and potential future opportunities for collaboration around these assets.

The Localism Act 2011 requires the Council to consider applications for Community Right to Challenge, the right to express an interest in running a council service and for the Council under the Community Right to Bid to maintain a list of asset of community value. Community assets need to be nominated as such by a community group. If an asset is listed and then comes up for sale, communities that want it have 6 months to put together a bid to buy it.

Actions to date

The Council is pursuing a number of specific shared use initiatives and has implemented a number of actions as follows:

- Torbay has already been leasing assets to community based organisations for many years
- Invitations continue to be invited from Community Organisations to confirm/make an initial expression of interest in any of the confirmed disposal list of properties
- Torbay worked with the Development Trusts Association (DTA) through their Advancing Assets Programme to ensure best practise is adhered to in the Community Asset Transfer process
- DTA identified a case study community asset transfer in Torbay which they assessed for submission to the Department for Communities and Local Government (DCLG)
- Since the implementation of the Community Asset Transfer Policy, leases of 4 assets have been completed and transferred to community groups
- Currently community interest for the possible transfer of 1 asset

- A policy has been developed relating to the community 'right to bid' for assets of community value following the introduction of the Localism Act
- The Council has explored Asset Based Community Development with the decision taken to create a Community Development Trust
- The Council has reviewed the Community Asset Transfer Policy and has amended it taking into consideration the financial challenges faced by the Authority.

Where we need to be / Issues

Torbay Council needs to develop and implement strategies that deliver:

- Increased numbers of shared facilities both in Council and other ownership by working with other public sector partners
- Uses for existing Council assets that are better suited to purpose
- Closer partnership working relationships
- To work with the VCS through the CDT to review each parties assets and potential future opportunities for collaboration around these assets
- Need to review the effectiveness of the CAT policy and consider whether any changes are appropriate
- Sustainable transfer of assets to interested community groups
- As and when the need arises to have discussions with Brixham Town Council regarding the possible sale of assets in Brixham

Action Plan

Action	Target Date	Responsibility	Current Status
Review the effectiveness of the Community Asset Transfer policy	March 2015	CPO / Estates Manager	Completed
Continue to work with all community groups at stages one and two of the asset transfer process	Ongoing	CPO, Community Asset Support Officer, Asset Panel Members	Ongoing
To work with other Public Sector Partners on a joint way forward to maximise the value of partnership assets and streamline related operational activities	Ongoing	CPO / TEDC	Project is ongoing
To discuss the potential sale of assets within Brixham with the Brixham Town Council	Ongoing	CPO / TEDC	Ongoing

Risks

There is a risk that without these continuing actions opportunities to maximise the potential for shared use will not be delivered. There has to be balance between the sale of assets for profit and transfer for social gain to benefit the community.

There is a risk that the other Public Sector Partners may not be committed to working together to look at the use of assets.

Benefits

The proposed strategy will deliver:

- Enhanced opportunities to identify and deliver shared use facilities
- Development of initiatives in line with Corporate Objectives
- Support local charities and organisations to effectively develop initiatives through the Community Development Trust (CDT)
- The potential transfer of assets to the VCS / CDT and other community organisations such as a potential Sports Trust or a potential Youth Trust could see a reduction in the maintenance backlog

6.11 Tenanted Non Residential Properties

Torbay Council holds a variety of Tenanted Non-Residential Properties (TNRP) on which it has granted either leases or licences to third parties. These assets range from golf clubs, offices, restaurants, industrial sites, Quaywest Water Park to leases to sports clubs and other voluntary sector groups and licences to run donkey ride and ice cream concessions.

There are currently 778 leased assets and licences, which generate income of circa £2.7M per annum. The amount of income per agreement varies greatly with 50 assets generating an annual income in excess of £10,000 each and 55 generating an annual income between £5,000 & £9,999 each. The rest of the agreements are below these figures.

These assets are held either as investments or for service delivery / socio-economic purposes. The definition of investment assets is narrow (Cipfa regulations) with them being defined as assets which are used solely to earn rentals or for capital appreciation or both. For Torbay Council the Chief Accountant has taken the view that, unless there is strong evidence to the contrary, the assumption is that all council property is linked to a service objective e.g. regeneration, harbour estate, tourism etc. Examples of TNRP held as investment assets include Torquay Golf Club and Unit 3 Riviera Park, Torquay.

Actions to date

- The TEDC continues to manage the TNRP on behalf of service clients to maximise revenue and to minimise costs
- The Council has commissioned condition, asbestos and water hygiene surveys on the TNRP with the tenants having been informed of the outcome
- A TNRP Portfolio Strategy, Review Action Plan and disposal policy have been developed. (See Appendix AM-E)

Where we need to be

Torbay Council needs to implement the Action Plan below to ensure that:

- The justification for holding the TNRP is linked to the corporate goals and service objectives
- The performance of the TNRP is reviewed to determine whether assets should be retained or disposed of

Issues

- To review the performance of the TNRP it is useful to consider 3 fundamental questions:
 - Why are TNRP assets held?
 - How well are they performing in meeting the purposes for which they are held?
 - Are there better ways in which these purposes could be fulfilled?
- Need to determine criteria for measuring performance
- Where held for socio-economic purposes the measurement of performance becomes more challenging as we are dealing with subjective judgements and because there is a need to link these purposes to the corporate goals and service objectives
- Need to consider other policies such as the Shoreline Management Plan to determine the long term options arising from climate change

- Consideration needs to be given to the Council's revenue position. The yield of particular properties to be challenged within the policy
- To review the accounting procedures to ensure that market rent is charged on all assets – even if then an equivalent grant is given to the organisation leasing the asset
- To review the benefits of centralising and then redistributing the revenue income generated from the TNRP

Risks

- Currently each TNRP asset is allocated to a particular service department, which assists with management issues and they receive the income. However this may give rise to a couple of risks when assessing the performance of the TNRP:
 - Depending upon the criteria set for measuring performance the perception from the service departments could be that their properties are performing well to protect their asset base
 - The service department may be reluctant to agree that an under performing TNRP should be disposed of since they would lose the rental income from their revenue budget. Any capital receipt goes into the 'corporate pot' to fund the capital programme and may not necessarily be re-invested in the service department's assets

Service departments will need to adopt and embrace the overriding corporate approach to asset management in order to mitigate these risks.

- As part of the disposal policy there will be a need to consider the long term aspirations of the Council for the larger assets. For example, it may not be appropriate to dispose of an under-performing café within a park if it may be needed for a comprehensive re-development in the future
- There may be public resistance to the disposal of TNRP

Action Plan

Action	Target Date	Responsibility	Current Status
Implement the Action Plan to review the performance of the TNRP	Ongoing	CPO / TEDC	Due to resource issues the Action Plan (see Appendix AM-E) has not yet been Implemented
To develop a TNRP Disposal Policy	March 2013	CPO / TEDC	Achieved and included in above
To review the benefits of centralising and then redistributing the revenue income generated from the TNRP	October 2016	CPO / Head of Asset Management / Chief Finance Officer	Ongoing
To review the accounting procedures to ensure that market rent is charged on all assets	March 2015	CPO / Head of Asset Management / Chief Finance Officer	Completed

Risk

There is a risk that there will be insufficient resources within the Asset Management Service of the TEDC to take this initiative forward

Benefits

The strategy will bring clarity about why Torbay Council holds Tenanted Non-Residential Properties, which is essential to drive good performance and value for money in terms of investment and/or socio-economic outcome

Into The Future

The Strategy detailed above will be delivered and monitored by implementing the specific action points detailed. Delivery will be by the Torbay Economic Development Company (TEDC) acting under instruction from the Council and its officers.

It is accepted that the period of delivery may in some instances be long term and will inevitably be influenced by an ongoing and realistic assessment of available resources. However, the plan firmly defines the vision of how the Council will achieve a more effective use of assets and sets a firm commitment to retain the goals and actions until all are complete.

A number of significant achievements have already been secured and into the future there are many issues that are relevant to a successful Corporate Asset Management Plan. There are at this review 2 areas of particular importance:

- The continuing work of the TEDC will continue to create opportunities to make regenerative changes to the built environment and help stimulate the market.
- There may be increasing Government scrutiny of the Asset Management Function and a need to follow closely the asset management guidance that has been issued.

Appendix AM-A

Service Asset Management Plan Template

1.0 Service Background and Outcomes

Brief bullet point summary outlining scope of services and key outcomes expected along with relevant comments from your service strategy.

2.0 Predicted Service Delivery Changes

Brief bullet point summary confirming possible future changes to service delivery, which are likely to have implications for service assets (acquisition, adaptation or disposal), together with likely timescales.

3.0 Scope of Service AMP

Does this SAMP cover all assets under your Business Unit / Service? If not, please confirm which ones and why not.

4.0 Identification of Current Property Portfolio

Provide a comprehensive list of current assets, responsible officers, asset functions and users and provide answers to the following questions:

Is the asset used for direct service delivery?

Is the asset used for indirect service delivery?

Annual running costs (£)

Do you still require this asset for service delivery?

5.0 Preferred Options & Action Plan

For each of the assets identified comment on the current situation, what action if any is required to implement any required changes, the priority rating and the date for review.

Appendix AM-B

Key Asset Management Performance Indicator Analysis (Including Schools)

Indicator	Description	Category	2013/14	2014/15	2015/16	2016/17	Comments
			Out-turn	Out-turn	Targets		
PI1- 1A	% Gross Internal Area (GIA) that falls in each of the Condition Categories (A = Good, D = Bad)	A	3%	4%	9%	14%	Targets calculated as improvements of 5%. Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 14/15 figures
		B	45%	39%	44%	49%	
		C	23%	25%	20%	15%	
		D	28%	31%	26%	21%	
PI2- 1Bi	Total Value of Backlog of Work (1 = Urgent, 3 = Desirable)	Priority 1 Priority 2 Priority 3	£9,631,627 £6,713,477 £6,019,197	£9,265,992 £7,493,342 £4,932,528	5% reduction		Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 14/15 figures
PI3- 1Bii	Required Maintenance Cost as a % in Levels 1-3 (1 = Urgent, 3 = Desirable)	Operational 1	43%	43%	38%	33%	Targets calculated as improvements of 5%. Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 14/15 figures
		Operational 2	30%	35%	30%	25%	
		Operational 3	27%	23%	32%	42%	
PI4A- 1Dii	Repair & Maintenance spend per m2		£12.43	£13.00	£13.65	£14.33	Targets based on 5% increase. Academy Schools have been removed which has impacted on the m2
PI4B- 2A	Energy cost per m2		£8.74	£6.35	£6.03	£5.73	Targets based on 5% reduction
PI4C- 2B	Water costs per m2		£3.44	£4.24	£4.03	£3.83	Targets based on 5% reduction. Water spend has increased, this is due to rising prices
PI4D- 2C	CO2 emissions per m2 in tonnes		0.041	0.029	0.028	0.026	Targets based on 5% reduction
PI5 – 3Ci	% of properties where a suitability survey has been carried out within the last 5 years that are graded good or satisfactory		94%	94%	95%	96%	
PI6- 4 BV156	% of public buildings which are DDA compliant		63%	63%	67%	67%	The Office Rationalisation Project has led to an increase in this indicator

These figures exclude leased out assets where repair and maintenance responsibility sits with the tenant.

Appendix AM-C Extracts

Torbay Online Asset Database (TOAD)

Core Asset Data Tab

Torbay Online Assets Database - Version 2

Billingham, Emma - Asset Registrar

Version 2.0:3889.1791

Asset T3037 - Pearl Assurance House

Address	101-107 Union Street	Asset Type	Operational
		Property Category	Other Land and Buildings
		Sub Category	Offices,Admin. Bldg & Land associated with
		Type	Building
		Year Built	0
Eastings	291438	Subject to a Condition Survey	Yes
Northing	64232		
Map Ref	26SW	Building manager	
OS Ref.		Contact Number	
Tierrier Ref.	0		
Deeds Ref.			
Land Registry Title Number			
TC Ownership	Leased	Holding Service Code	E1711
Directorate	Environment Commissioner		
Business Unit	Chief Executive Torbay Development Agency	Manager Service Code	
Service Area	... Please see Areas Tab		
Status	NOT ENTERED	UPRN	10002986652
Listed Building	No	NDR Value	0.0000
		Council Tax Band	
		Current Use	Council Office Accommodation
Acquired Date	07/02/2005	Disposal Date	
Acquired Cost	0.00	Disposal Price	0.00
Acquired Powers		Disposal Powers	
Vendor		Purchaser	
Buildings in Acq.	Yes	Buildings in Dsp.	No
Purchasing Committee	Environment Services	Archive Date	

Floors Tab

Torbay Online Assets Database - Version 2

Billingham, Emma - Asset Registrar

Version 2.0:3889.1791

If any of this data needs updating, please contact load@torbay.gov.uk

Asset T3037 - Pearl Assurance House

Floor Room

01 Ground Floor	Lobby & Stairs
02 First Floor	Communications
	Disabled Toilet
	Gents Toilets
	Interview Room A
	Interview Room B
	Interview Room C
	Kitchenette
	Office
	Reception
	Stairs & Landing
	Stairs & Landing
	Store
03 Second Floor	Comdor
	Kitchen
	Ladies Toilets
	Meeting Room
	Office
	Office
	Office
	Office
	Stairs & Landing
	Stairs & Landing
04 Third Floor	Store

TOTAL NIA m² 8.10 TOTAL NIA Sq Ft 87.10

Valuations Module

Torbay Online Assets Database - Version 2

Billingham, Emma - Asset Registrar

Version 2.0.3899.17918

Name: Pearl Assurance House
Reference: T3037

Unallocated	Land	Buildings	Plant and Machinery	Furniture and Equipment	External Works
T3037-UNALL	T3037-LAND	T3037-BULD	T3037-PLNT	T3037-FRNT	T3037-EXTW

	Historical Cost	Current Value
Gross Value:	0.00	0.00
Enhancements in Year:	0.00	0.00
Enhancements to Date:	0.00	0.00
Gross Cost:	0.00	0.00
Residual Value:	0.00	0.00
Depreciation this Year:	0.00	0.00
Depreciation to Date:	0.00	0.00
Impairment (LEB):	0.00	0.00
Impairment (LEB) to Date:	0.00	0.00
Impairment (PR):	0.00	0.00
Impairment (PR) to Date:	0.00	0.00
Disposal of Asset:	0.00	0.00
Net Value:	0.00	0.00

Instructions:
To enter a specific components valuation click on the relevant screen above.
If a screen is highlighted, it means data has been entered.
The Summary Table opposite is a total of the 4 values calculated from its component. When you place your mouse cursor over the figure, the totals for each component appear above.

Condition Survey Module

Torbay Online Assets Database - Version 2

Billingham, Emma - Asset Registrar

Version 2.0.3899.17918

Block Name: Pearl Assurance House

Condition Data: True
Pricing Base Date: 17/05/2007
Surveyed by: Kendall Kingscott
Survey Date: 17/05/2007
Ref.: T3037
Internal Area:

Notes:
Pearl Assurance House is a post war 3-storey building constructed of a concrete frame with brick cavity wall envelope and metal windows with stone/pre-cast concrete surrounds. The roof construction is flat off a concrete deck with felt coverings and lead detailing. The ground floor consists of retail outlet, Torbay Council occupy the upper floors on a leasehold basis.

Reports:
 Show Archived Lines
 Tenants Report
 View this Block
 View ALL Blocks for this Asset
 View Header
 View Sub Elements
 View Details
 Update Form

APPENDIX AM-D

Summary Property Strategy Action Plan (PSAP)

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	Description of each specific action that will deliver the objective	Description of the specific change or goal that each action should produce	Description of the benefits that each action will deliver to service delivery groups and residents of Torbay	Description of the Officers taking ownership of delivery of each action	Description of the key teams upon which delivery of each action is dependent	Description of the hard and measurable outputs that each action must produce	Date deadline for target delivery	Description of how progress and performance will be assessed for each action
	Suitable Assets Aligned to Service Delivery	Service Asset Management Plans	All Business Units or Services to have five year plans for continued use of assets	Planned and more efficient use of assets producing improved service delivery	CPO	CPO, Asset Registrar, Service Asset Representatives	Completion of all SAMPs and development of 5 year corporate plan. To be reviewed yearly.	Ongoing	Reviewed in CAMP yearly update
		Implementation of Service Asset Suitability Reviews	Asset use reviews completed for all services as part of SAMP process	Planned and more efficient use of assets producing improved service delivery	CPO	CPO, Asset Registrar, Service Asset Representatives	Completion of all surveys and development of 5 year plan	Ongoing	Reviewed in CAMP yearly update
		Implementation of specific DDA improvement works arising from survey work	Completion of identified physical improvement projects	Improved accessibility to the public	CPO	Property Services Group	Completion of projects within agreed timescales	Annual	Reviewed in CAMP yearly update – currently on hold because the budget for DDA works has been removed

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Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	Description of each specific action that will deliver the objective	Description of the specific change or goal that each action should produce	Description of the benefits that each action will deliver to service delivery groups and residents of Torbay	Description of the Officers taking ownership of delivery of each action	Description of the key teams upon which delivery of each action is dependent	Description of the hard and measurable outputs that each action must produce	Date deadline for target delivery	Description of how progress and performance will be assessed for each action
Page 178	Effective Repair and Maintenance	Implementation of reorganised R&M delivery process	Reduction of backlog maintenance	Improved service delivery from assets that are fit for use and publicly acceptable	CPO	Client Liaison Meetings, CPO, Finance, Service Asset Representatives	Delivery of 4+ year rolling programme and elimination of category D and C1 works within 5 years	Ongoing	Delivery report included in CAMP yearly update
		Implementation of five yearly rolling programme of condition surveys	All properties to have a condition survey within last five years	Improved understanding of condition and improved targeting of repair resources	CPO	Client Liaison Meetings, CPO, Finance, Property Services Group	100% completion rate	Ongoing	Delivery report included in CAMP yearly update
		Completion of Asbestos Surveys	Complete asbestos register in place	Healthy and safe working environment and easy delivery of improvement & development works	CPO	Property Services Group	Completion of Asbestos Surveys & re-inspections	Ongoing	Delivery report included in CAMP yearly update
		Rolling review of non service & investment assets	Establish a clear policy for non service & investment assets	Planned development of these assets will maximise returns to fund Council Priorities	CPO, TEDC Business Manager, Head of Asset Management	Service Asset Representatives	To be undertaken annually	Ongoing	Report included in CAMP yearly update

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	Description of each specific action that will deliver the objective	Description of the specific change or goal that each action should produce	Description of the benefits that each action will deliver to service delivery groups and residents of Torbay	Description of the Officers taking ownership of delivery of each action	Description of the key teams upon which delivery of each action is dependent	Description of the hard and measurable outputs that each action must produce	Date deadline for target delivery	Description of how progress and performance will be assessed for each action
	Economic Regeneration	Managed workspace and business incubation	Enhanced support for local Business with particular emphasis on the needs of start up companies	Improved economic performance and increased survival rate for start up businesses	TEDC commission	Regeneration	Funding Bids prepared project due for completion subject	Ongoing	Place Policy Development Group
Page 179		Employment and Regeneration programme	Circa £300m of regeneration development with circa 2000 jobs	Improve economic performance and GVA	TEDC commission (TEDC Programme Manager)	Regeneration, Asset Management, Planning, Legal advisors, Procurement	Completion of various projects within the programme	Ongoing 20 year programme	Place Policy Development Group
	Integrated Disposals Programme	Implementation of an accelerated disposal programme	The disposal of appropriate Council owned sites for developments including affordable housing	Rationalisation of Property portfolio Reduced maintenance costs Increased capital programme Increased access to affordable housing	CPO, Service Heads	Strategic Land Task Group, CPO, Disposals Officer, Planning Service, Finance	Identified sites sold	Ongoing	Monitoring at Strategic Land Task Group Meetings. Delivery report included in CAMP yearly update

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	Description of each specific action that will deliver the objective	Description of the specific change or goal that each action should produce	Description of the benefits that each action will deliver to service delivery groups and residents of Torbay	Description of the Officers taking ownership of delivery of each action	Description of the key teams upon which delivery of each action is dependent	Description of the hard and measurable outputs that each action must produce	Date deadline for target delivery	Description of how progress and performance will be assessed for each action
	Effective Use and Rationalisation of Administrative Buildings	Office Rationalisation Project	Consolidation of Office Accommodation as part of project	Improved efficiency and service delivery and cost savings	ORP Board		Refurbished Offices	Ongoing	Project Team
Page 180	Improved Data Management	Development of update protocols for live data modules	Defined operating processes in place that can be monitored and audited	Accurate information available to enable informed and transparent decision making, improved prioritisation and more effective action planning	CPO, Asset Registrar	IT, Finance, Service Asset Representatives	Data fields in TOAD completed and verified	Ongoing	Delivery report included in CAMP yearly update
		Development of user manual	Defined operating and user instructions in place and available to all officers	Accurate information available to enable informed and transparent decision making, improved prioritisation and more effective action planning	CPO, Asset Registrar	IT, Finance, Service Asset Representatives	User Manual complete	Completed and updated when amendments are made	Delivery report included in CAMP yearly update

APPENDIX AM-E

TENANTED NON-RESIDENTIAL PROPERTY PORTFOLIO STRATEGY AND REVIEW ACTION PLAN

Background

Torbay Council (the 'Authority') holds a variety of Tenanted Non-Residential Properties (TNRP). They are held either as investments or for service delivery / socio-economic purposes.

The Audit Commission 'Room for Improvement' report said that authorities should 'review property holdings and reduce them where possible by identifying and disposing of surplus and under-utilised properties'.

In the past this has only proactively happened for the Authority's non-tenanted land and buildings but in the 2011 Corporate Asset Management Plan it was mentioned that the Authority would develop a strategy for reviewing the TNRP portfolio. As well as looking at possible disposals it is also important to maximise income and possibly expand / change the portfolio to suit the Authority's strategic objectives.

To review the performance of the TNRP it is useful to consider 3 fundamental questions

- Why are TNRP assets held?
- How well are they performing in meeting the purposes for which they are held?
- Are there better ways in which these purposes could be fulfilled?

The Royal Institution of Chartered Surveyors (RICS) has published a number of leaflets on local Authority asset management with one covering TNRP assets let to third parties (other than housing stock).

In accordance with this leaflet, which focused on the key priorities in the management of TNRP in the local government arena, the Association of Chief Estates Surveyors (ACES) Commercial Asset Management Working Group developed a 'Model TNRP Strategy and Review Action Plan'. The plan is based upon this model.

The RICS leaflet states that if there is not clarity about why TNRP is to be retained, it should be disposed of, on the best terms that may reasonably be obtained.

With regards to assets that contribute to socio-economic benefits the RICS leaflet says that 'measurement of performance becomes more challenging, as we are dealing much more with subjective judgments and because we need to ensure that the socio-economic purposes are directly linked to corporate goals and objectives'. The 'model' suggests a simple three tier ranking approach to assess the socio-economic benefits – high, medium and low.

TNRP STRATEGY AND REVIEW ACTION PLAN

1) ROLE OF THE TNRP PORTFOLIO TO THE AUTHORITY

- Financial investment by producing income used to offset the revenue costs of direct and indirect services thus reducing the impact on the Council tax; and capital receipts to support the capital programme.
- Socio-economic by supporting the wider corporate objectives of the Authority through strategic influence, control and occupational use.

2) LEADERSHIP AND ACCOUNTABILITY

Driving improvement in the performance of the TNRP is a continual and demanding process. Circumstances often change before optimum performance is achieved. Leadership is important in:

- Developing and promoting a strategy for the TNRP;
- Generating corporate interest in, and awareness of, the gains to be had from improved performance;
- Engendering support and commitment within the organisation;
- Addressing the business case for TNRP, together with the supporting action plan; and
- Ensuring the efficient and effective pursuit of agreed TNRP management strategies.

There are important roles in TNRP management and these are illustrated in the table below.

Role	Responsibilities
Elected Members	Executive Leads - providing commitment to TNRP strategic aims and setting key required corporate objectives / outcomes; Scrutiny – ensuring TNRP performance is kept under review
Chief Operating & Finance Officer and Directors	Supporting and monitoring the TNRP Action Plan; Ensuring sufficient resources are available to effectively manage the Strategy and Action Plan.
Corporate Property Officer and Executive Heads	Linking TNRP to corporate goals and objectives; Managing TNRP in accordance with the Strategy and Action Plan

3) BRIEF DESCRIPTION OF THE PORTFOLIO

The TNRP portfolio has been accumulated over many years. Some of the properties used to perform functions / services done directly by the Authority but are now let to third parties to perform that function on behalf of the Authority. For example, beach / park cafes and the Torbay Leisure Centre.

Other tenanted properties were initially acquired for other purposes. For example, the Authority holds 2 residential houses at Tweenaway Cross, which were acquired by

Devon County Council (and transferred to the Authority when it obtained unitary status) in conjunction with the potential road improvement scheme. Whilst the scheme was being progressed these properties were let to a Housing Association.

Other land & properties were let to support regeneration and economic development schemes to support and provide accommodation for small to medium size enterprises.

There are currently 774 leases and licences, which generate income of circa £2.7M per annum. The amount of income per agreement varies greatly with 48 assets generating an annual income in excess of £10,000 each and 56 generating an annual income between £5,000 and £9,999 each. The rest of the agreements are below these figures.

The Authority has granted a number of long term leaseholds in exchange for a capital receipt. For example, in July 2007 a 125-year lease at a peppercorn rent was granted to Apollo Cinemas Ltd for a premium of £1.2M.

A detailed breakdown showing categories of lettings and general management policies is given in section 7 below.

4) STRATEGY AIM

To move from the historic legacy to a more balanced sustainable portfolio to meet the future financial and corporate objective needs of the Authority within 5 years.

5) STRATEGIC OBJECTIVES

To:-

- optimise the financial return, both revenue and capital growth.
- support the wider corporate priorities, in particular social and physical regeneration, economic development and safeguarding strategic influence, control and future development opportunities.

6) MANAGEMENT POLICY

Financial

The portfolio will be managed to:-

- Primarily generate income.
- Charge full market rents, unless a specific policy exists to determine otherwise.
- Carry out timely lease renewals and rent reviews.
- Maximise occupancy through appropriate marketing.
- Minimise rent arrears through timely intervention.
- Subject to finance being available, undertake planned maintenance based on condition surveys in accordance with the Council's obligations under the terms of the lease and to ensure that tenants are aware of their own repairing obligations.
- To endeavour that, if appropriate, all properties have up to date asbestos and water hygiene surveys and to have up-to-date electricity and gas safety and energy performance certificates.

- Where appropriate, improve performance through securing grant assistance, using property as match funding and working in partnership with the private/voluntary sector.
- Measure and improve the performance through the use of appropriate 'performance indicators'.

Socio-economic to support corporate objectives

To

- use the portfolio 'strategically' to safeguard, control and promote the use of land for purposes supporting the corporate objectives through the 'occupational use' of property.
- measure and monitor the 'socio-economic benefits' through a simple and clear ranking system.

7) PROPERTY ASSET CATEGORIES AND GENERAL MANAGEMENT POLICIES

1) Investment Assets

Assets which are held solely to earn rentals or for capital appreciation or both. To review the financial returns and, if considered poor, then, unless needed for a future re-development scheme, the presumption would be to dispose either to the tenant or on the market.

2) Assets Held for Socio-Economic Reasons.

2a) Leases held on a peppercorn rent

Let to occupiers generally with community based relevance i.e. community centres, voluntary sector or allotments, which indirectly support corporate objectives. Leases be retained but be subject to review every 3 years.

Where a peppercorn is payable as a result of the Authority receiving a premium for a long lease, then consideration be given to the reasons why a long lease was granted rather than a freehold disposal.

2b) Leases let on market rent but tenants receive a grant

A number of leases are let to the voluntary sector & community groups at market rent but some tenants receive a grant to help off-set the rent. Presumption to retain ownership to support the voluntary sector / community group but will undertake a review to assess condition, suitability and sufficiency; identify opportunities to lever in external/grant investment; and to assess to what extent each voluntary body contributes to the Council's objectives – if not, is the grant still appropriate (and at what level?) or should the asset be sold?

2c) Commercial leases granted for service delivery

Commercial leases of parts of operational assets such as kiosks/cafes in parks or the leisure centre. Presumption to retain and actively manage to generate revenue to support service delivery but review periodically with the service department.

2d) Leases granted at a peppercorn rent for service delivery under a contract

A number of leases have been granted to organisations who have been commissioned to provide a particular service on behalf of the Authority. For example, land & buildings have been leased to the Torbay Care Trust, Torbay Coast & Countryside Trust and TOR2. The presumption is to retain ownership for the duration of the service contract.

2e) Leases – Public Utilities and Other land and property

Sites leased for electricity sub and gas governor stations which generally produce a low level of income. Other examples include telephone masts situated on multi-storey car parks or land in high locations. To identify opportunities for rationalisation / disposal or additional income generation unless such action may be prejudicial, for instance in terms of potential redevelopment.

2f) Properties let to Registered Social Landlord under business tenancies

A number of properties are let to a RSL whilst they are being held for another purpose e.g. highway scheme. The presumption is to retain whilst needed for the scheme but review periodically with the service department.

2g) Community Asset Transfer Leases

A number of leases have been granted to community groups through the Community Asset Transfer process for land previously declared surplus by the Authority. Presumption to retain ownership for duration of the lease.

2h) Licences

The Authority has granted a number of licences for people to operate on its land. For example, donkey rides on Paignton Green and ice cream concessions at Kilmore Car Park, Galmpton and Daddyhole Plain.

The presumption will be to continue to offer such licences unless they become too intensive in terms of management time and/or the service department considers they no longer want the service to continue.

N.B. Licences have been included in the above list but, since they do not form an interest in land then they can not be sold. If they are considered no longer needed for service delivery then the licence will not be re-advertised on expiry.

8) CONDITION SURVEYS

Surveys of the TNRP are undertaken on a 5-yearly rolling programme for those properties for which the Authority has some repairing liability to identify outstanding repairs which are the responsibility of either the Authority or the tenant or both.

9) DISPOSAL POLICY

Assets that do not meet the performance test and that are identified for disposal may be disposed of in accordance with the Authority's disposal procedure. Consideration will also be given to the sale of properties that are on the performance margin and where the capital receipts generated could be better deployed.

Disposals will also be discussed with the Finance Officer and Executive Head of Business Services and a programme agreed as appropriate to support the Authority's revenue budget and capital programme needs.

Each disposal to be considered on its merits but consideration may be given to re-invest all, or a proportion of the sale proceeds in the service department.

10) ACQUISITIONS POLICY

Consideration shall be given to the acquisition of appropriate properties to improve the performance of the portfolio (i.e. adjacent to existing ownership or leasehold interest where the Authority owns a freehold reversionary interest and in both cases will benefit from the marriage value, property to support regeneration) and to achieve a more balanced portfolio, in both financial and socio-economic terms.

Funding will be from capital receipts from assets sold out of the TNRP portfolio or prudential borrowing if the annual rents from the property to be acquired exceed the annual financing cost (i.e. occupational lease where the Authority own freehold).

11) OTHER POLICIES

When assessing the socio-economic reasons for holding onto the TRNP the service department will need to consider whether there are any policies within their service area, which may influence / dictate the suitability of retaining the TNRP e.g. Shoreline Management Plan.

12) BENEFITS

The aim of this strategy and following the review action plan is that:-

- Capital receipts are achieved with minimum impact to income.
- Review will be flexible and allows time to be developed to reflect views of stakeholders and accommodate any political/economic changes during the review period.
- Ultimately better assets are retained as investments.
- Reasons for holding assets are identified by specific purposes.
- Socio-economic outputs are fully identified, considered and linked to corporate objectives.
- Key priorities for improved management, use of resources and performance are identified and can be planned.
- Future targets and timescales can be set.

REVIEW ACTION PLAN

Purpose – To carry out a review to demonstrate the value for money in continuing to hold the TNRP portfolio – the Performance Test

Subject to sufficient resources being identified, to undertake the review in three stages as follows:-

STAGE 1 – Identify quick wins

A 'Quick and Dirty' exercise to identify obvious assets for disposal and further review by allocating them to the categories set out in section 7 of the TNRP strategy, and applying the general management policies set out therein.

STAGE 2 – Analyse why properties are held

Identify pure 'investment' and 'socio-economic' properties that also support the wider corporate objectives assets.

Where assets support wider corporate objectives identify and analyse, together with appropriate stakeholders including Executive Leads, Executive Heads, the Corporate Property Officer and the Strategic Land Task Group. Evaluate their socio-economic benefits and rank each asset as follows:-

High –critical or major contribution as identified by the Authority e.g. a key regeneration site or property occupied by a community group supported and partly funded by the Authority. If asset disposed of ultimately to support socio-economic benefit, such as to kick start a major regeneration scheme or meet an approved high priority Authority objective, then may consider a disposal at less than the best price, so long as sale price plus value of the benefits at least equals best price that could have been obtained – review periodically but presume retain ownership regardless of financial return.

Medium - important contribution – i.e. located in a key regeneration area or occupied by a community group supported but not funded by the Authority - review periodically the importance of the socio/economic role and financial performance.

Low – minor or insignificant contribution – i.e. located on edge of regeneration area so retention to support scheme not essential e.g. property, which is difficult to let and run down, or property that happens to be occupied by a community group but not one that Authority particularly supports or that has no linkages to corporate objectives - review frequently and consider disposal if financial performance poor.

Measure the performance of all assets on the basis of the 'internal rate of return' (IRR).

The IRR is the discounted rate that generates a zero net present value for a series of cash flows using discounted cash flow processes. It is important that all costs and benefits are included in the assessment and, not least, management costs. In simple terms it is a method of measuring both potential revenue and capital growth over a given period – the 'time weighted return'. Most authorities adopt a 10 year term.

Also measure performance annually in the future by reference to the following performance indicators:-

- % management costs against gross revenue
- Assets remaining void for greater than 6 months in a year

Set annual targets based on the previous year's performance.

Agree a target rate of return with the Chief Finance Officer. Any assets not meeting this target consider for disposal.

Subject those assets identified for disposal to further tests as follows:-

- Does the legal tenure and/or statutory constraints preclude disposal?
- Would a disposal require the repayment of grant monies?
- Is it a strategic property to be held to control and/or facilitate future development opportunities or service delivery?
- Does the property contribute to corporate objectives through socio-economic benefits?
- Could the property meet identified future operational needs, or with partners' co-locational requirements?
- Are there any redevelopment or other income or capital generating opportunities i.e. redevelopment site, special purchaser, marriage value, ransom strip, over sailing rights, release of covenants?
- Could the financial performance be significantly increased through minor investment?
- Are there any other opportunities?

If answer no to all tests – Dispose. Otherwise further analyse the benefits of retention and actively manage. But also ask the question: can the capital achieved from the disposal be more effectively used than owning the asset?

Future disposals programme

Offer pure investment assets for disposal where they do not meet the target IRR agreed when and as necessary with the Chief Finance Officer and Executive Head of Business Services. Base the target IRR, known as the 'hurdle rate of return', on the Authority's alternative investment options – the opportunity cost.

Assets that have socio-economic benefits offer for disposal if they are ranked as:-

- 'Low' and fail to meet the target IRR.
- 'Medium' and significantly fail to meet the target IRR.
- 'High' and are being disposed of to meet a high priority Authority objective.

As the assessment of socio-economic benefits is a subjective exercise support a proposal to dispose with an option appraisal where appropriate.

STAGE 3

Stand back and look periodically through the process as more data is collected, analysed and recorded, to see whether the desired outcomes and objectives are being achieved.

On completion of stage 3, use the comprehensive data on property categories, financial and other performance, range and scale of contribution of the TNRP to socio-economic benefits, to assess to what extent the aim has or will be achieved.

Has, or will the process ultimately, through identifying assets for disposal, further investment and perhaps purchase, achieve a more balanced and better aligned TNRP portfolio, both in terms of financial and socio-economic strategic objectives? If not then consider further appropriate review and rationalisation.

During the whole review period hold regular discussions with the Chief Finance Officer and Executive Head of Business Services to advise on the relative benefits and risks associated with the TNRP to achieve the strategic aim and objectives for the TNRP portfolio.

The balance of the portfolio may change over time as it will be determined in particular by the financial position - need for revenue v capital, level of risk the Authority is prepared to take, and to what extent it wishes to use the TNRP to drive non-financial objectives e.g. to kick start regeneration.

APPENDIX AM-F

DRAFT TORBAY COUNCIL

COMMUNITY ASSET TRANSFER POLICY – Update December 2015

INTRODUCTION

The Community Asset Transfer (CAT) Policy does not include Community Right to Challenge (the right to express an interest in running a Local Authority service) or Community Right to Bid (maintaining a list of assets of community value). These are covered by separate policies and more information can be found on the Council's website.

The Local Government White Paper, 'Strong and Prosperous Communities' (2006), sets out a new relationship between local government and its communities. The reforms contained in this paper will give greater say over local services to the people who rely on them. This will enlist communities in the drive to improve services, from waste to parks and libraries. Torbay Council has embraced this agenda by giving local people more say on how services are delivered through vehicles such as the Torbay Strategic Partnership and local community partnerships.

In the same spirit, the 'Making Assets Work, Quirk Review' (community management and ownership of public assets) sets out the clear benefits to local groups which own or manage public assets – such as community centres, building preservation trusts and community business enterprises. Fundamentally, the review talks about giving local people a bigger stake in the future of their area through this model. The Department of Communities and Local Government, in its response to the recommendations in the review, supports the need to 'monitor effectiveness of mechanisms in persuading local authorities to consider transferring management or ownership of assets to communities'. There are already powers in place through the Public Request to Order Disposal (PROD), whereby communities can prompt a local authority to give serious consideration to the community management of assets. This will be strengthened by the Community Call for Action which came into force in spring 2008.

Through the introduction of the Localism Act 2011, Government has reignited local discussion about how councils can make the most of assets to meet community needs in a challenging financial climate. Torbay Council is responding to this by considering options for the transfer of asset through leases and operational management to the community, for purposes that benefit the communities they serve. This can range from small parks groups to established voluntary sector organisations. Community 'benefit' is seen as varied, with a range of activity from local meeting places, such as community centres, to social enterprise businesses offering new employment or training opportunities.

School disposals are covered by a legislative framework. Any disposal would first need approval under Section 77 of Schools Standards and Framework Act 1998. Therefore, school buildings and landholding will not be considered under this policy.

The council needs to dispose of some underused or surplus assets, which can no longer be afforded, whilst, at the same time, investing in urgent infrastructure projects across

Torbay. However due to the financial constraints facing the Council, priority shall be given to maximising the full market receipt of any disposals. The Council recognises there needs to be a balance of sales of assets to maximise investment, and to regenerate communities through alternative uses.

This Community Asset Transfer Policy identifies a level of market value when a particular asset shall be considered for community transfer and how local communities could register an interest in taking over a council owned property. This option would still need to be assessed against sale, or alternative disposal opportunities, in each case, and should be closely linked to the Corporate Plan.

Strategic Context

The Corporate Plan has identified Economic and Community Prosperity as its key outcome and, therefore, the policy should reflect this as the main driver.

The delivery of the outcomes of this policy, therefore, need to be aligned with the four key themes represented in the Corporate Plan:

- Pride in the Bay – focusing on environmental sustainability, public realm (how local spaces look and are managed) and civic pride.
- Learning and Skills for the Future – developing quality learning opportunities across the community.
- Stronger Communities – delivering improvement to health inequalities, safer communities, affordable housing and improving the quality of life for local people.
- New Economy – delivering more sustainable higher value employment opportunities for the bay family.

The strategic fit of any asset transfer proposal would need to achieve one or more of these goals.

Rationalisation of Assets

The council continues to undertake a review of its assets through an ongoing rationalisation programme. This is being considered in association with the new commissioning model on how the council will deliver its services in the future.

As part of this process, the council, through the Strategic Land Task Group, will identify buildings and land holdings which are no longer required for the delivery of its services. In this instance, a building or land holding will then become 'surplus' and be put forward to the Council for potential disposal. At this stage, assets with a market value below £25,000 will be given an indication as to the likelihood that this could be considered for Community Asset Transfer. Assets of a market value above £25,000 can still be considered for Community Asset Transfer if it links with the Council's aims and objectives, within the Corporate Plan and is approved by the Strategic Land Task Group. Once on the disposal list, community, voluntary and other agency sectors could apply to the council for transfer of these assets for alternative community uses. This would still be considered alongside the need to capitalise receipts of any assets to deliver the council's prioritised Capital Programme. The proposed criteria for transfer of an asset below the

market value would need to be measured against the likely other uses if sold on the open market.

Under the current policy, assets or land holding are rarely sold as a freehold interest, and it is considered more appropriate that any transfer for community use should be on a leasehold basis. This would protect the future of these assets, and ensure that the council can veto future changes in use and occupation of the facilities during the lifetime of the lease.

Key Policy Criteria

There are two key factors to be considered within the policy criteria:

- Benefits to the local community by transferring the asset
- Ability of the voluntary or community organisation to sustain the use of the asset over the leased period.

Therefore, the Community Asset Transfer Policy would require all proposals to meet the following, before being considered against alternative disposal options:

- The proposed use of an asset reflects the outcomes and objectives identified in the Corporate Plan and other appropriate plans and strategies.
- The proposed use of the asset is genuinely for the benefit of the community, and would offer real opportunities for successful and independent, community or third sector organisations to become more sustainable in the long term.
- The asset would be made fully available for use by a range of local groups, especially those working with, or in, disadvantaged communities, and should be compliant with the Disability Discrimination Act (DDA).
- The use of the asset is environmentally sustainable. Any future refurbishment plans should consider energy efficiency as a priority, and use good quality, environmentally sustainable, materials and construction practices.
- That the third sector organisation would have greater security and independence, and would be better able to meet the needs of the communities it serves.
- That uses would enable communities to have more access to facilities and/or opportunities that respond to their local needs.

Under the second key factor, the council would need to analyse the risks carefully to ensure that proposed organisations and future community management of the assets are appropriate, and sustainable, in the long term.

As it is likely that many of the community and voluntary groups, applying to the council for the transfer of assets, would have limited financial history, or facilities management experience, it is important that a robust business case is put forward in support of any proposal/organisation. The policy, therefore, sets out the following requirements that

need to be demonstrated by organisations for them to be able to be considered 'fit for purpose' to lease council assets:

- Financial viability of the transfer – the organisation would need to show at least a five year cash flow and budget forecast that demonstrated that the project is sustainable, and that the asset would be maintained adequately.
- Experience of, and/or commitment to, partnership working – demonstrating that the asset would be put to a variety of uses to benefit the community.
- The organisation and key individuals, managing the asset and associated project, have appropriate skills, knowledge and expertise to sustain the project in the long term.
- Clearly defined structures, roles and responsibilities within the organisation appropriate to deliver the project, whether voluntary and/or paid. It is recommended that a council representative be included in any management committees associated with the assets.
- Clarity of decision making processes – adequate constitution, governance arrangements and management controls, are in place.
- Clarity of aims and objectives, and that these meet the key Corporate Plan objectives.
- All legislation and regulatory controls are in place – meeting equality standards, child protection, health and safety and licensing requirements.
- The project has the support of the local community – can demonstrate local need, community support through consultation, and that the project is not aligned only with a single interest group.
- Monitoring and evaluation processes are in place to demonstrate the successful delivery of objectives and targets over the life of the project.

Process for Assessing Proposals

It is recommended that an Asset Transfer Panel be established to assess the proposals put forward. The panel would consist of three councillors from across all parties (proportional representation), who would ultimately be responsible for the final decision, supported by voluntary sector representation. This panel would also be supported by Council officers with the relevant expertise to advise on the key elements of the proposal, including planning, estates, property management, legal, finance, housing, environmental policy and community engagement.

The Asset Transfer Panel and the Mayor, or nominated individual or body (as an appeal process), would be the key decision making boards related to this policy.

The assessment of proposals put forward by the community and voluntary groups would fall into two stages:

Stage One:

Once an asset had been identified for potential disposal, community and voluntary groups could then apply for transfer of that asset for community use. It is proposed that the timeframe, for those wishing to register an interest, would be limited to three months. There would be an initial first stage, which will allow potential community or third sector organisations to detail their proposals in outline to be considered by the Asset Transfer

Panel. This should be a simple initial process, where the organisation would have to demonstrate the following criteria:

Criteria
Strategic fit against the priorities in the Corporate Plan and other applicable plan strategies.
Support from the local community in the neighbourhood for the proposals – must include support of 50 local people, and have consulted the specific community partnership. These people do not have to be active members of the group, but need to support proposal.
Who, and how local people, would benefit from the proposals.
Previous experience of the group, or evidence of supporting organisation.
Proposals are focused on needs of the community – demonstrating there is a gap in provision, e.g. providing job opportunities in deprived areas, or aimed at key target groups currently excluded from the community activity.
Implications for the asset or building in the long term – alternative use options.

The Asset Transfer Panel would either give its approval for the proposals to be taken forward to the second stage (this preparation period would be a maximum of three months), or advise the asset be put forward for alternative disposal. The organisation involved would be advised in writing of the decision, giving reasons if the application were refused. They would be advised of their right of appeal which could only be considered against the criteria.

The organisation’s right of appeal on whether the decision is fair would be undertaken by the Mayor or his nominated representative/body. If the proposal were not approved by the panel, the organisation would have the right, within a set timescale, to appeal against the decision. The appeal would then be reviewed by the Mayor, or his nominated representative/body, who would either reject the appeal or recommend further consideration at the second stage.

Stage Two:

The Asset Transfer Panel would invite successful organisations to progress to the second stage where a full business and delivery plan would need to be presented for the project/proposal. This submission would be assessed under the following criteria:

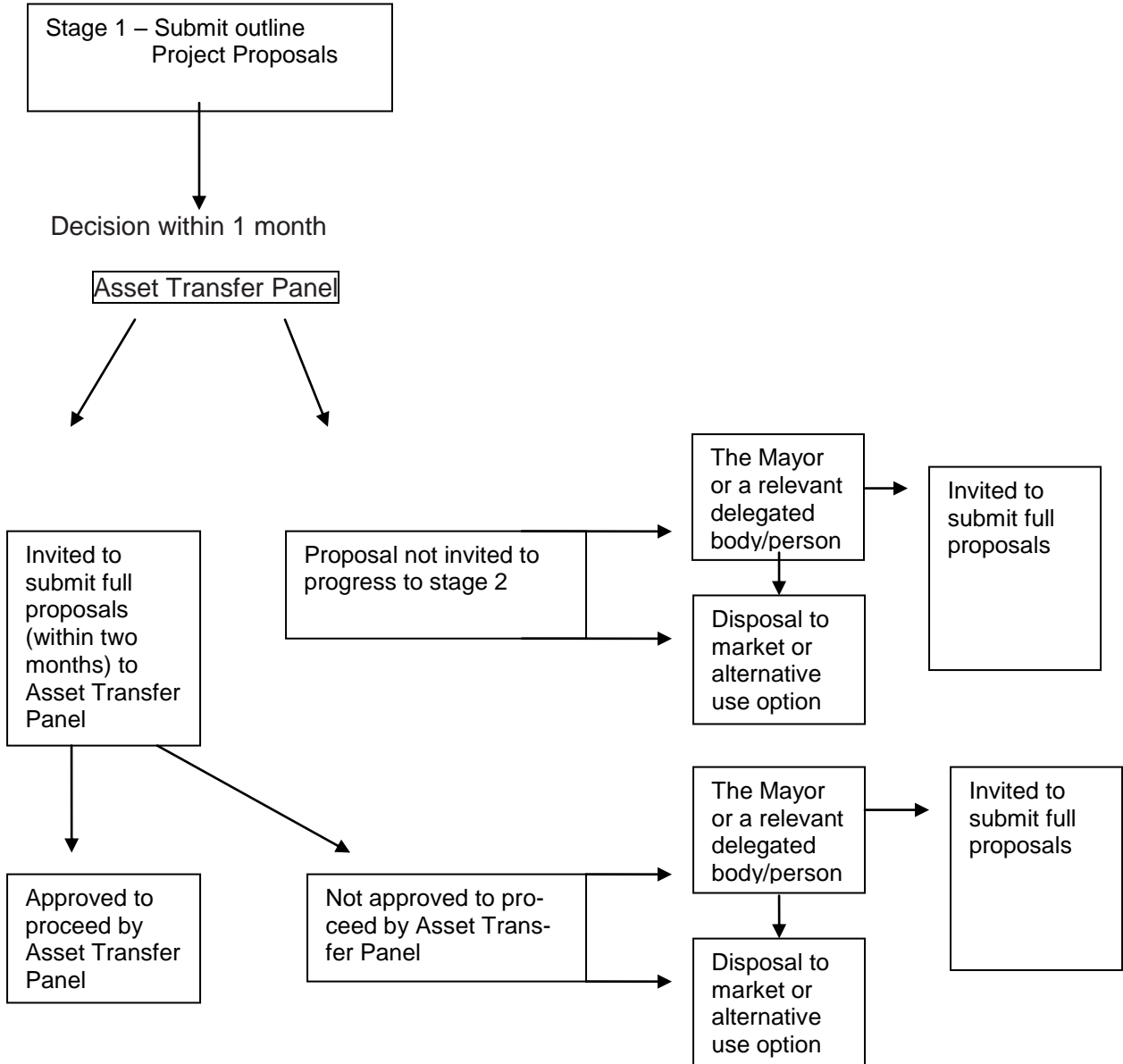
Documentary Evidence Required	Criteria
Business Plan and Governance Documentation	Outcomes, aims, objectives and targets the proposal would deliver, including how these would be monitored and assessed over the life of the project.
	What type of organisation would be running the project. The capacity of the organisation to deliver the project including : Decision making structures Management and staff structures, showing where these are paid or voluntary, whether these are experienced, and/or what training plans are in place.
	Identifying whether the project would create new jobs,

	housing or learning opportunities, and how these linked to the Corporate Plan and other relevant strategies.
	An indicative 5 year capital and revenue budget plan including all anticipated grant funding, identifying whether this had already been secured and any other income expected, sources etc.
	Relationships with any other partners on the project.
	Legislation and regulation considered within the project and how this would be addressed, e.g. Health and Safety regulations Child Protection Policy Equality regulations Licensing.
	How the project would address: Inequalities Crime prevention Environmental issues.
	The catchment area for the project.
	Length of lease required to deliver the project.
	Any development proposals relating to the buildings or land.
	Risk Analysis of the proposals.
Project Plan	Indicative timescales on how the project would be delivered from start up to fully operational.
	Description of any proposed development. Detailed breakdown of timings/costs for any proposed building works or refurbishment proposals, and how this would be funded.

Once a proposal had been successful at the second stage, this would be progressed through to the development of normal lease arrangements by the TEDC, instructed by the Executive Head of Business Services. This process would include advertising the 'disposal of public open space' which would have to be approved by full Council. This process usually would take two/three months.

A summary of the timescales and decision making process for both stages is detailed in the flow chart below:

Applicants will have a maximum of three months to apply at stage 1.



A guidance document and application forms will be provided to community and voluntary sector organisations to assist them in applying for Community Transfer of Assets.

Evaluation of benefits

The policy will be reviewed continually to ensure that it met the objectives set out in the Corporate Plan and other key plans and strategies, and demonstrated real benefits to the community.



Meeting:	Overview & Scrutiny Board Council	27th January 2016 3rd February 2016
Wards Affected:	All	
Report Title:	Review of Reserves 2016/17	
Executive Lead Contact Details:	Mayor Gordon Oliver, mayor@torbay.gov.uk	
Supporting Officer Contact Details:	Martin Phillips, Chief Finance Officer, 01803 207285, martin.phillips@torbay.gov.uk	

1. Purpose

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

2. Proposed Decision

- 2.1 That the transfer of £1,435,000 identified from a number of individual earmarked reserves (see paragraph A2.9) to the following reserves be approved:
- a) £500,000 to a new “Invest for Income” reserve to fund initiatives that lead to increased income to the Council to support future year revenue budgets (in accordance with the Corporate Peer Challenge (CPC) action plan);
 - b) £50,000 to a new Capacity Building reserve to support training and development of staff and members (in accordance with the CPC action plan); and
 - c) Balance of £885,000 to the Comprehensive Spending Review reserve to support 2016/17 and future year budget pressures such as exit packages for staff, transitional funding (if required) and a contingency for any in year 2016/17 budget variances.
- 2.2 That it be noted that, at this point in time, Children's Services are unlikely to be able to repay £3.4m in the short term to earmarked reserves, as identified in the Children's Services Recovery Plan (October 2014).
- 2.3 That the future repayment of the earmarked reserves of £3.4m as per the Children's Services Recovery Plan (October 2014 version) be approved and that the £1.5m repayment to the PFI reserve be included in future year Annual Strategic Agreements with the Integrated Care Organisation (ICO) and in the ICO business plan for the proposed Children's Services transfer to the ICO.
- 2.4 That the significant financial pressures facing the Council in future years be noted and that, as a principle, the allocation of additional funds, as required, to the Comprehensive Spending Review Reserve in each budget process to maintain an ongoing minimum balance in the reserve of £1m be agreed.

3 Reasons for Decision

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

- 3.2 The Council has had unprecedented financial challenges from reduced funding levels over the past few years and is facing a further £21m reduction in its Revenue Support Grant from 2015/16 to 2019/20, in addition to any future expenditure pressures. The Council is also facing significant financial pressures from Children's social care which is estimated to result in a £2.8m overspend in 2015/16, and to a lesser extent from Adult Social Care.
- 3.3 As part of the Children's Services 5 Year Cost Reduction Plan approved by Council in October 2014, it was recommended that Council approve the transfer of £3.4m from a number of reserves to fund planned spend within Children's Services, with the service repaying the reserve in 2017/18 & 2018/19. The Review of Reserves report stated last year that "It is important that these reserves are repaid or there will be additional budget pressures for other services within the Council". The Children's Services recovery plan, in the light of the current financial position and the recent Ofsted inspection, is being revisited. After the plan is revised and appropriately challenged, the impact on council reserves will be incorporated into future versions of this report and the medium term resource plan. At this stage the planned reductions in the use of reserves, as per the October 2014 Plan for 2016/17 of £1.2m and a further £1.1m in 2017/18 have been included, however at this stage it is considered unlikely that Children's Services will be able to make any repayment in the next few years.
- 3.4 As part of the 2014/15 Review of Reserves the Council approved "the transfer of £1.5m from the PFI Sinking Fund to Children's Services on an "invest to save" basis. Children's Services to repay the reserve in future years". Members are reminded that if the reserve is not repaid then it will be necessary for Children's Services to fund the future costs of the PFI school contract.
- 3.5 This report is highly influenced by the significant financial risks facing the Council both from current financial pressures within Children's social care (safeguarding and wellbeing) and the substantial budget reductions predicted for future years. There is a risk that, without mitigation, in future years the Council will not have enough identified reserves to support any one off expenditure required to meet any in year budget shortfalls, costs for restructuring due to budget reductions, the approved Children's Services Cost Reduction Plan and any delays in implementing savings.
- 3.6 Due to the significant financial risks facing the Council in 2016/17 and future years it is essential that the Council's reserves provide a sufficient contingency to meet this increasing risk and to ensure a robust budget. It is recommended that a minimum of £1.5m is held within the CSR reserve as a contingency for 2016/17 in year pressures. This is in addition to the general fund balance. A sum will be added per annum to this reserve to replenish the balance to a minimum of £1m each year from 2017/18 onwards and this will be included in future financial planning.
- 3.7 To support the Council's response to finding additional budget reductions over the period of the Spending Review 2015 it is recommended that a separate "invest for income" reserve of £500,000 is established to invest in income opportunities, to be used, for example, to introduce new income streams and increase commercial activities. Allocation of this reserve to be authorised by the Chief Finance Officer, in consultation with the Executive Director of Operations and Finance, based on the business case presented. This reserve is separate to any proposed capacity building or service transformation reserve.
- 3.8 One of the Corporate Peer Challenge recommendations was to "Review and invest in the training and development needs of senior members and officers". To support this it is proposed to place £50,000 into a new 'capacity building' reserve to support training and development of staff and members. (CPC action plan)
- 3.9 Members are again reminded of the advice previously given by the Chief Finance Officer, that reserves should not be used for supporting ongoing recurring expenditure. Use in that way is not financially sustainable as reserves can only be spent once.

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

Martin Phillips
Chief Finance Officer

Supporting information

A1. Introduction

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

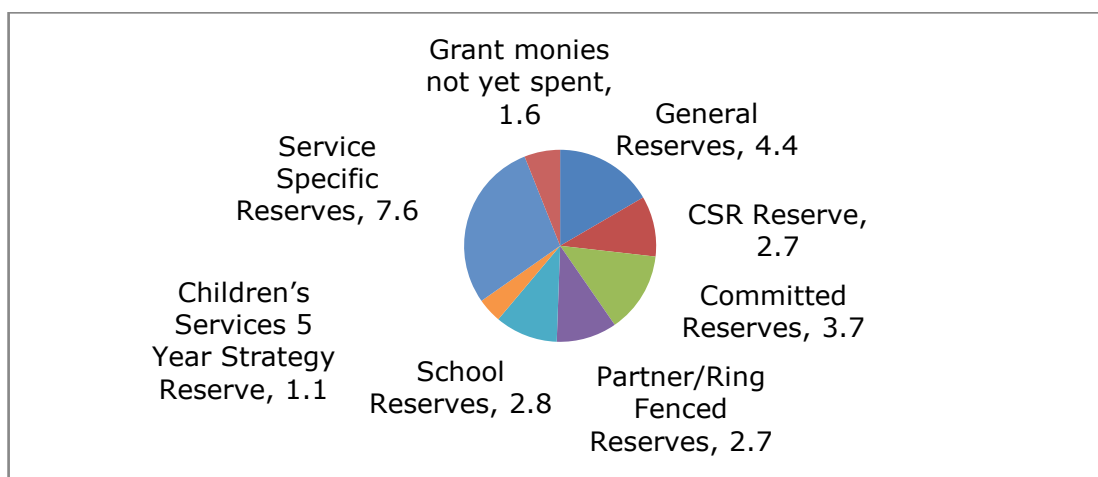
A2 Review of Reserves 2016/17

A2.1 Overview

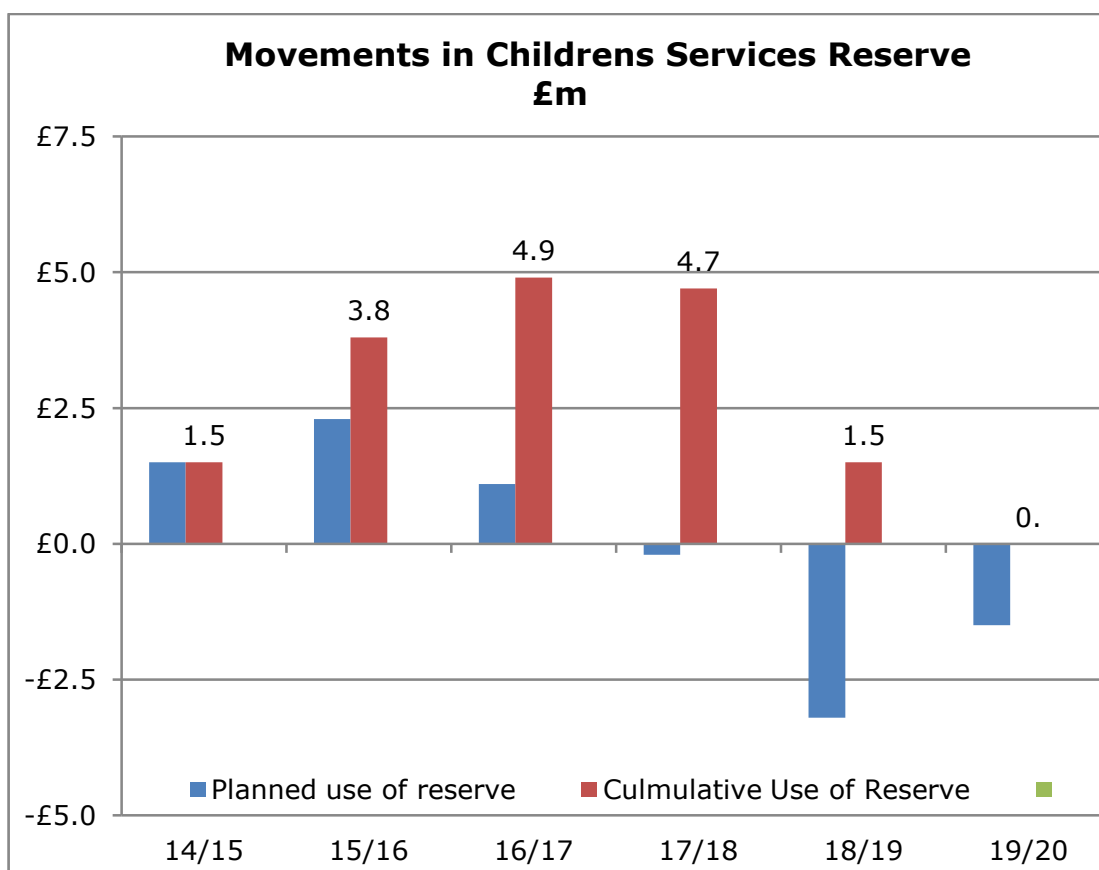
A2.2 As at 31/03/2015 Torbay Council's reserves were as follows:-

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

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



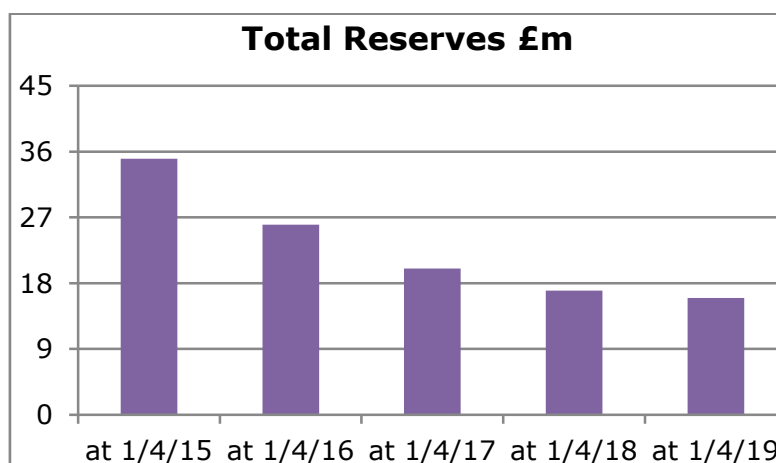
- A2.4 A list of the Council's Reserves as at 31/03/2015 is attached in Appendix 1.
- A2.5 The table in A2.2 shows that the total reserves held by the Council decreased by £2.0m during 2014/15. The General Fund Reserve remained at £4.4 million during the same period. This is discussed in more detail below.
- A2.6 In October 2014 the Council approved a five year cost reduction plan for Children's Services which required the use of £3.4m of reserves to fund Children's services budget pressures in 2015/16 and 2016/17. Such a use of reserves was to allow the service to introduce and embed service changes which was forecast to result in savings compared to the current level of spend, consequently enabling Children's services to repay the reserves used to fund the £3.4m. The Plan identified that £0.2m would be repaid in 2017/18 and £3.2m repaid in 2018/19. The £3.4m was in addition to the previously approved use of £1.5m from the PFI Sinking Reserve which is also to be repaid by Children's Services, with the assumption that this £1.5m was used in 2014/15 with repayment in 2019/20.
- A2.7 Since October 2014 the financial performance of the plan has not matched the original predictions and therefore the plan is currently being updated.
- A2.8 The use of these reserves to support Children's Services and their repayment as per the October 2014 recovery plan is shown in the bar chart below.



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

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

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



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

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

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

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

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

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

- A3.4 In undertaking a detailed annual review of reserves that is presented to both Overview and Scrutiny Board and Council, Torbay Council is largely complying with most of the recommendations in this report.
- A3.5 It is important to differentiate between general and uncommitted reserves and reserves held for a specific purpose. It is only the general and uncommitted reserves that could be used to support “short term costs”. As shown in the table above, the Council’s uncommitted reserves were the Comprehensive Spending Review reserve (£3.1m) and £4.4m is the Council’s general fund balance which is discussed later. The Council does not have a large value of unallocated reserves compared to its overall budget or compared to the value of budget reductions required over the next few years or compared to the value of the 2015/16 in year pressures for social care.
- A3.6 The Chief Finance Officer is reluctant to use any reserve funds, which can only be spent once, to support ongoing expenditure as this is not financially sustainable, as it only delays the impact of the required budget reductions.
- A3.7 This position taken by the Chief Finance Officer is similar to CIPFA guidance which says “Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as how such expenditure will be funded in the medium to long term”.
- A4 Earmarked Reserves
- A4.1 The proposed changes to earmarked reserves are outlined in paragraph A2.9 above. The following paragraphs make specific comments on a number of reserves. A summary of each reserve and their purpose is included as Appendix Two. Further information on all Council Reserves is available that shows details about each reserve, including the reason/purpose of the reserve, how and when the reserve can be used and the process for retention of each reserve to ensure continuing relevance and adequacy.
- A4.2 Comprehensive Spending Review Reserve – balance £3.1m 31/3/15 (£2.7m 31/3/16)
- A4.3 The Comprehensive Spending Review Reserve was originally established in 2010/11. The purpose of this reserve was identified as follows:
- short term support for the (revenue) budget while services adjust spending to new levels
 - financing of any costs in relation to reducing services and therefore staff numbers
 - to support any initial costs of changing service delivery that will result in future savings
- Any use of this reserve for invest to save schemes must be supported by a robust business case and agreed by the Chief Finance Officer.
- A4.4 To fund any overspend in 2015/16 it is recommended that the Comprehensive Spending Review Reserve is not used, as the balance in the reserve should be retained to provide a contingency for budget pressures in 2016/17, in particular in relation to social care and to support the financial impact of the judicial review of care home fees including any costs should the Council’s appeal be rejected.
- A4.5 Council at its meeting in December 2015 approved the use of up to £0.2m from this reserve to support the English Riviera Tourism Company to December 2016.
- A4.6 After the proposed allocation of £0.885m to this reserve the balance on the CSR reserve excluding the tourism commitment above and an allocation for the results of the judicial review appeal on care home fees, will be sufficient to provide a contingency to provide cover for the risk of any 2016/17 budget variations in particular in social care and any exit costs such as redundancy costs relating to 2017/18 incurred in 2016/17.
- A4.5 The potential for further transfers from earmarked reserves is becoming increasingly limited therefore, to help ensure a robust budget can be set, a sum to bring the balance to £1m per annum will be added to this reserve in each year as part of the budget proposals from 2017/18 onwards and will be included in future financial planning.
- A4.6 Committed Reserves – balance £8.9m 31/3/15 (£5.2m 31/3/16)
- A4.7 These reserves arise as a result of differences in timing between the reserve being established and the expenditure being incurred and are therefore, in effect, committed reserves. Some of these are short term, such as service carry forwards, unspent revenue grants and the collection fund, where the expenditure

should be incurred within 12 months. Other reserves are spreading costs over a number of years, such as the PFI sinking fund that equalises the costs of the annual unitary charge over the 25 years of the contract.

A4.8 PFI Sinking Fund

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

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

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

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

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

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

These are reserves set aside for specific expenditure purposes.

A4.13 Insurance Reserve

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

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

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

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

A4.14 Potential Liabilities

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

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

A5 Review of Provisions and other Potential Liabilities

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

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

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

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

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

A6.1 Collection Fund

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

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

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

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

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

- A7.3 A risk assessment of all 2015/16 budgets suggest that the maximum overspend in any year, if all services were subject to adverse pressures and where there isn't any specific service related earmarked reserve, would be £8.1 million or 7% of 2016/17 net revenue budget. An estimate should be added to reflect any, as yet unknown, in year budget pressures, potential Bellwin scheme claims (emergency planning) and to reflect the financial risks inherent in any significant new partnerships, outsourcing or capital developments, say £1.0 million. This would result in a required General Fund reserve of £9.1 million or 8% of net budget. The current level of General Fund Reserve will cover just under 50% of this sum.
- A7.4 This risk assessment overall is similar to the previous year as the higher value areas of volatility that were identified as a high risk last year have continued to cause pressures on the Council's revenue budget still exist. In addition the challenges of achieving the ongoing significant budget reductions from central government create a major risk of budget variations.
- A7.5 A continuing key consideration within this risk assessment is the level of the risk of budget variances passed to partners or other suppliers via service delivery contracts. A key partner for the Council is the Integrated Care Organisation from October 2015. The Council has a 9% risk share of the total financial performance of the ICO (Torbay and South Devon Foundation Trust) which is a budget of approx £400m. There is a risk to the Council, as although the total budget the risk share is based on is greater, the Council's share is limited to 9%.
- A7.6 A prudent risk based approach to budget setting and reserve levels will have mitigated some risks of an overspend, although it should be noted that in areas of high risk such as, Children's Social Care, have already declared significant budget pressures over the past few years. The Children's Service 5 Year Cost Reduction Plan and its update should help to mitigate some of the risks associated with this service in the longer term.
- A7.7 However it is unlikely that all budgets will be adversely affected in the same year or that there will be no underspending arising from savings or additional income. Therefore the General Fund Reserve should be equal to 50% of the total assessed risk in any financial year (which equals to 4.2% of estimated 2016/17 net revenue budget). This for 2016/17 will result in a required general fund reserve balance of £4.6 million. At this stage the current general fund balance of £4.4 million is 4% of 2016/17 net revenue budget or £0.2 below the assessed target.
- A7.8 Following consideration of the above, in the opinion of the Chief Finance Officer, the current level of general fund reserve should not be reduced below 4%. This is dependent on the CSR reserve having a balance in excess of £1.0m as a contingency for 16/17 budget pressures and an ongoing balance of £1m.
- A7.9 The 2016/17 budget to be presented in February 2016 to Members will also include an assurance statement from the Chief Finance Officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the Local Government Act 2003.

A8 **Capital Investment Plan**

- A8.1 It is assumed that in the circumstances of a significant overspend within the Council's capital programme this will be covered by alterations to the timing of the Council's capital investment plan; use of the capital contingency or from additional borrowing within the Council's approved Prudential Indicators. Any additional borrowing costs would have to be met from the Council's revenue budget.
- A8.2 The Council's capital plan has a contingency of £0.6 million – this is approximately 1% of the current four year capital plan. It should be noted that all capital projects should have contingencies within the individual project costs.
- A8.3 The capital resources that the Council has available is reducing from central government grants and capital income from contributions such as S106 developer agreements and the delays in establishing a Community Infrastructure Levy. In addition as revenue budget cuts are made the affordability of prudential borrowing is more limited. This gives fewer options to allocate funding for any urgent capital projects such as infrastructure works. Members could give consideration to allocating reserves to support capital expenditure.

A9 **Comparison with Other Councils:**

- A9.1 Since the abolition of the Audit Commission the value of money council profiles are now the responsibility of Public Sector Audit Appointments. Unfortunately their updating of data is not as current as before. From

the reports available on the PSSA website a comparison of Torbay Council reserves as at 31/3/14 with data for other unitary authorities is shown below:

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

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

A10 Chief Finance Officer Statement.

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

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

A11 Governance of Reserves.

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

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

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

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

A12 Risk assessment of preferred option

A12.1 Outline of significant key risks

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

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

Appendices

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

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Appendix 1

Review of Reserves 2016/17

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

Land Charges	96	0	0	0	0
Office Accommodation Reserve	179	219	219	219	219
Pension Reserve	95	0	0	0	0
Planning Reserve	468	330	167	67	0
Regeneration Reserve	5	10	15	20	25
South Devon Highway	299	0	0	0	0
Supporting People Commissioning	8	8	2	2	2
Taxi Reserve	29	29	29	29	29
Tourism	83	23	0	0	0
Training and Development Reserve	0	50	30	10	0
Waste Strategy	286	150	100	50	0
	12,262	8,666	5,984	5,015	4,583
Total Earmarked Reserves	30,932	22,077	15,821	12,081	11,193
	0				
TOTAL RESERVES	35,302	26,447	20,191	16,451	15,563

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Appendix 2

<u>Name of Reserve</u>	<u>Description of Reserve</u>
Asset Disposal Costs and Property Issues Reserve	To support the revenue costs associated with the rationalisation of the Council's assets
Budget Issues Reserve	To support future budgetary pressures in adult social care facing the Council in the medium term.
Capital Funding	To reserve funding for items in the approved Capital Plan Budget.
Carry Forwards	Service Carry Forwards
Children's Services 5 Year Strategy	Per Council approval to support Children's Services in the short term by £3.4m.
Comprehensive Spending Review Reserve	To fund costs associated with meeting budget reductions as a result of the Government's comprehensive spending review.
Community Development Trust Reserve	Reserve established by support the creation and three year support for a Community Development Trust.
Crisis Fund	Reserve to support the costs of social fund and exceptional hardship
Domestic Abuse Reserve	To fund the costs of the integrated domestic abuse service for 2 years, starting September 2014.
Early Retirement Reserve	To enable the Council to meet children's redundancy related liabilities as they fall due. Built up from annual budgets for new redundancies.
Regeneration/TDA Reserve	Reflects the value of funds awarded to the TDA where the work has yet to be completed.
Employment Issues Reserve	To support employment related issues, such as equal pay and payroll related issues.
Equipment Fund	To facilitate renewal of equipment within services where the replacement is at irregular periods.
Geo Park Conference	To support costs of Geo Park Conference
Grants recognised but not used	Reflects the value of revenue grants (without conditions) received by 31 st March but not yet used to support expenditure
Growth Fund Reserve	Reserve established from the New Homes Bonus grant to create a Growth Fund to support employment opportunities.
Harbours	Torquay, Paignton and Brixham Harbours – To finance Harbour expenditure schemes for the purpose of Harbour Users.
Highways Act Reserves	Reserve holding funds received under Highways Acts and other legislation where the Council holds funds to do works.
Insurance Reserve	To set aside amounts to cover the future cost of past uninsured events which result in a loss to the Council. This reserve covers potential future liabilities arising from the Council's previous insurers Municipal Mutual Insurance Ltd not having sufficient solvency, to meet pre 1998 claims from Devon County Council, amounts for specific uninsured risks and a general reserve to meet as yet unknown insurance claims

IT Equipment Reserve	To provide funds for priority driven replacements of IT equipment.
Invest for Income Reserve	New reserve to support the development of new income streams for the council and increased commercialisation of services.
Land Charges Reserve	Reserve to fund any potential costs arising from changes in the charging regulations in relation to land charges.
NNDR Rates Retention	Reserve to smooth the volatility of NNDR income including appeals, s31 grant and the performance of the Devon wide NNDR pool.
Office Accommodation Reserve	Reserve to help meet the short term revenue costs of the rationalisation of office accommodation.
Misc. Specific Reserves	Includes: Council Elections, Taxi Survey, Art Objects, Devon Audit Partnership and Cemeteries.
PFI Sinking Fund	To provide funds to meet the liabilities under the PFI agreement over 25 years (Westlands and Homelands Schools) and to provide funding towards Paignton Community College expansion project.
Planning Reserve	To provide for costs of Local Plan Inquiry held every 4/5 years and masterplan delivery.
Public Health	Reflects carry forward of ring fenced funds for Public Health
Prudential Borrowing Reserve	Reflects the temporary surplus/deficit arising from the charges to services for the repayment of expenditure under Prudential Borrowing compared to actual interest and Revenue Provision.
Regeneration Reserve	A reserve to support economic regeneration and employment initiatives
School Balances	Reflects the carry forward by schools of their delegated school budget share.
School Redundancy Reserve	Reserve to support the costs of redundancies for schools based staff
South Devon Highway	To support the development of the South Devon Highway
Tourism (Strategic Events) Reserve	Reserve established in 2012/13 to support tourism and events.
Training and Development Reserve	New reserve to support the training and development needs of senior staff and members.
Waste Disposal Strategy Reserve	Reflects the reclassification of part of the equipment fund as a specific reserve for Waste Disposal Initiatives.