

OVERVIEW AND SCRUTINY BOARD

A meeting of **Overview and Scrutiny Board** will be held on

Wednesday, 29 January 2014

commencing at **5.30 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,
Torquay, TQ1 3DR

Members of the Board

Councillor Thomas (J) (Chairman)

Councillor Bent
Councillor Darling (Vice-Chair)
Councillor Pentney
Councillor Stockman

Councillor Hytche
Councillor Davies
Councillor McPhail
Councillor Kingscote

Co-opted Members of the Board

Penny Burnside, Diocese of Exeter

Working for a healthy, prosperous and happy Bay

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

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01803 207063

Email: scrutiny@torbay.gov.uk

OVERVIEW AND SCRUTINY BOARD AGENDA

1. **Apologies**
To receive apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 1 - 3)
To confirm as a correct record the minutes of the meetings of the Board held on 27 November 2013.
3. **Declarations of Interest**
 - a) To receive declarations of non pecuniary interests in respect of items on this agenda

For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
 - b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda

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

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**
To consider any other items that the Chairman decides are urgent.
5. **Corporate Capital Strategy** (Pages 4 - 11)
To consider the Corporate Capital Strategy and to make any comments, conclusions and/or recommendations to the Mayor and Council.
6. **Corporate Asset Management Plan** (Pages 12 - 68)
To consider the Corporate Asset Management Plan and to make any comments, conclusions and/or recommendations to the Mayor and Council.
7. **Review of Reserves 2014/2015** (Pages 69 - 80)
To consider the annual review of the Council's reserves and to make any comments, conclusions and/or recommendations to the Mayor and Council.

- 8. Medium Term Resource Plan** (Pages 81 - 94)
To consider the Medium Term Resource Plan and to make any comments, conclusions and/or recommendations to the Mayor and Council.
- 9. Revenue Budget Monitoring 2013/2014 (Quarter 3)** (To Follow)
To consider the projected outturn of the Council's revenue budget for 2013/2014 as at the end of Quarter 3 and to make any comments, conclusions and/or recommendations to the Mayor and Council.
- 10. Capital Plan Budget Monitoring 2013/2014 (Quarter 3)** (To Follow)
To consider the projected position of the Council's capital plan budget as at the end of Quarter 3 of 2013/2014 and to make any comments, conclusions and/or recommendations to the Mayor and Council.
- 11. Review of Priorities and Resources 2014/2015** (To Follow)
To consider all of the information received by the Priorities and Resources Review Panel and the Overview and Scrutiny Board, to make any recommendations and to agree the report from the Review.



Minutes of the Overview and Scrutiny Board

27 November 2013

-: Present :-

Councillor Thomas (J) (Chairman)

Councillors Bent, Darling (Vice-Chair), Davies, Hytche, Kingscote, McPhail, Pentney and Stockman

(Also in attendance: The Mayor and Councillors James, Parrott, Pritchard and Thomas (D))

33. Minutes

The minutes of the meeting of the Board held on 9 October 2013 were confirmed as a correct record and signed by the Chairman.

34. Re-modelling of accommodation services for victims of domestic abuse

At previous meetings, Board members had considered the proposal to change the accommodation model from a refuge to one of emergency accommodation. They had also heard from a range of organisations, including the current provider of the refuge, about the range of services provided in Torbay to support victims of domestic abuse.

The Director of Adult Services attended the meeting and presented her report which provided an update on the current position for re-commissioning domestic abuse services in Torbay. The report included the results of the recent public consultation on the proposal to change the accommodation model together with the latest Equality Impact Assessment of the proposal.

It was noted that, as a result of the consultation, a collaborative approach would now be pursued to design future domestic abuse services, including accommodation and outreach support. The membership of the Domestic Abuse Steering Group had been reviewed to ensure all relevant stakeholders were represented and the Group would be reviewing the Domestic Abuse Strategy. The Group would then prioritise the appropriate involvement of stakeholders in the planning and design of future domestic abuse services and the allocation of funding including seeking partner contributions for those services.

35. Review of Youth Unemployment

The Overview and Scrutiny Board had completed its review of youth unemployment and published its report in June 2013. The Board requested that

the Mayor attend the meeting to discuss his response to the report which members of the Board had recently received.

The recommendations from the Board's report highlighted that Torbay Council must lead by example and use its influence to ensure that young people in Torbay have access to the:

- Right careers education, information, advice and guidance
- Right skills
- Right employment opportunities.

However, in agreeing its report, the Board recognised that many of the issues surrounding employment skills were beyond the control of the Council, as commissioning and funding comes via other agencies in Torbay. The Board had therefore held an Inquiry Day on 13 November 2013 to discuss with a range of stakeholders how the whole community could work together to address the skills gap within Torbay, both now and in the future, to ensure a thriving and sustainable economy.

The Mayor, the Executive Director – Operations and Finance and the Director of Children's Services attended the meeting and reassured the Board that the Council was "leading by example" and that a report would be submitted to the Senior Leadership Team in January 2014 on targets for the number of apprenticeships within the Council with the new approach being launched during National Apprenticeship Week in 2014. It was also hoped that the Council's procurement policies could be broadened to encourage the use of apprenticeships.

The Board and the Director of Children's Services discussed the role that schools should play in ensuring young people were equipped for the world of work. This had been a clear theme which had emerged from the Board's Inquiry Day. The Director offered to co-ordinate a meeting between members of the Board, schools and Careers South West to provide an opportunity for further debate about these issues.

36. Revenue Budget Monitoring (Quarter 2)

The Board considered a report which set out the projected outturn of the Revenue Budget as at the end of Quarter 2 of 2013/2014. The Board noted that the Council was still subject to ongoing demand pressures, particularly within Children's Safeguarding and Wellbeing. The Council was projecting an overspend of £1.411 million, compared to a projected overspend of £2.415 million at the end of the first quarter.

During their consideration of the report, Members were advised that the Council had approved a Budget Pressures Contingency as part of the 2013/14 budget setting to support and address specific pressures identified within the year. Due to the ongoing pressures faced within Children's Services all of this reserve (£1 million) had been released to offset the increased costs within Safeguarding and Wellbeing. However, the projected outturn position for the Children, Schools and Families revenue budget remained overspent by £3 million. As part of the

corporate approach to addressing the overall overspend, all services had been asked to deliver in-year savings and a number of services had made significant savings which were detailed in the report.

Resolved: that the Board remain concerned at the level of overspend, especially in relation to Children's Safeguarding, and would wish to see inroads into this overspend within the current financial year.

37. Capital Budget Monitoring (Quarter 2)

The Board noted a report which provided high level information on the Council's capital expenditure and funding for 2013/2014 compared with the position as reported in July 2013.

38. Review of Reserves 2014/2015

This item was withdrawn from the agenda.

Chairman



CORPORATE CAPITAL STRATEGY

SUMMARY VERSION

DECEMBER 2013 REVISION

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Produced By:

**Corporate Asset Management Team
Torquay Council,
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Contact Officer – Martin Phillips (Tel: 01803 207285)

1. Introduction

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.

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.** 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 1,500 properties has a current use Balance Sheet value of £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 TOR2 and the Economic Development Company.

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 a Policy Framework document, and links with the Treasury Management Strategy and 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
- South Devon Link Road

In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible and dynamic 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.

2. Guiding Principles

2.1 Approach to Borrowing

The Council is able to borrow money on the money market or from the Public Works Loan Board to fund capital schemes or, on a short term basis, 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 revenue support.

The Council is only able to borrow for "unsupported borrowing" under the guidance contained in the CIPFA Prudential Code, which in summary the Council must ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing

are approved by full Council.

The Council's approved Treasury Management Strategy is to continue to reduce the level of Council borrowings over four years; therefore this is likely to result in fewer schemes funded from borrowing.

The Council has traditionally 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). It is 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.

In recent years, there has been the need for borrowing that has no identifiable future revenue stream, for example, to repair infrastructure assets. Here a broader view has been 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. Given the significant financial challenges facing this Council over the next few years it is likely that such schemes will be an "exception".

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.

The current policy is to pool all receipts from grants to support the Capital Investment Plan in line with funding the Council's priorities. The current Capital Investment Plan has a capital grant income target to support the approved Plan that has not yet been met. All (un ring fenced) capital grants received should be allocated to support this target and not allocated to new schemes – any break from this policy needs a Council decision.

Recent Central Government consultation indicates that from 2015/16 a number of the Council's capital grants will be pooled with other public sector bodies. It is expected that Disabled Facilities Grants and Community Capacity capital grant will be included in the Health and Social Care "Better Care Fund (previously known as the "Integrated Transformation Fund") and the Integrated Transport Fund grant will be pooled with the Local Enterprise Partnership. The exact allocation and Council control and influence over these grants have to be clarified but it is clear that the Council will need to work with other bodies for capital investment in the future.

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 Monies and Community Infrastructure Levy - CIL (after Council approves policy)

Asset Disposals

The current policy is to pool all receipts from the sale of all assets sold to support the Capital Investment Plan in line with funding the Council's priorities. The current Capital Investment 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.

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.

In considering asset disposals, the Council also needs to take into account the policy on Community Asset Transfers where the Council will consider, on a case by case basis, the potential transfer of land 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.

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.

Right-to-Buy Clawback

The Council's policy of recycling 100% of these receipts into new affordable housing acknowledges the Council's role as strategic housing enabler by providing some direct re-investment to replace the properties lost from the public sector through the Right-to-Buy system.

S106 monies and Community Infrastructure Levy

S106 monies come from developer contributions through the planning system. The current policy is to allocate monies to services in line with the planning agreements. Where possible, 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 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 in line with Council capital scheme priorities subject to any specific funding requirements such as the South Devon Link Road

The current policy is to pool all capital contributions to support the Capital Investment Plan in line with funding the Council's priorities. The current Capital Investment 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.

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.

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. 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:

- a) Estimate of capital funding available is made and updated as appropriate. (Where possible for a four year period).
- b) Capital schemes are prioritised in line with Capital Strategy and corporate priorities.
- c) Council allocates un ring fenced capital grant funding to schemes/service areas in line with its priorities. Service intentions of the identified government body awarding the grant will be considered in determining allocations.
- d) allocations of funding to schemes/services for planning purposes approved by Council as part of Capital Budget and updated as appropriate. (Where possible for a four year period).
- e) Council delegated the approval of specific capital schemes within the approved capital plan in (d) above to the Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer.
- f) If a specific scheme is to be approved/funded there will be a requirement for a detailed business plan. This will apply to both new schemes and schemes identified for funding within the four year allocation of funding. Detailed business plan to be submitted to the Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer:

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

if new funding, in addition to the approved allocation in (d) above, is to be used and if scheme is supported by Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer it will be recommended to Council for approval.

- g) 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 scheme is supported it will be recommended to Council for approval.

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

i) 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 capital scheme approval process.

2.6 Alternative Funding and Delivery Opportunities

As Council capital funding is reduced the Council will 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 could aim to use its assets to support schemes or aim to maximise funding from any source possible, such as European or Local Enterprise Partnership Funding etc.

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 South Devon Link Road

The Council has committed to support the South Devon Link Road to a maximum value of £20 million. At present the Council has approved revenue budget to fund £6 million of borrowing costs, with the remainder of the £14 million currently unfunded. The report to Council approving the scheme identified Community Infrastructure Levy and New Homes Bonus Grant as possible funding sources. If no other capital funding is identified then the balance of £14 million becomes unsupported borrowing which will be a service revenue budget pressure from 2016/17 onwards. The Council can specifically allocate the increase in its 2015/16 and 2016/17 New Homes Bonus Grant to fund this scheme, but this will be at the expense of other services as the national funding for this grant is "top sliced" from Councils' revenue support grant so is not "new" funding.

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:

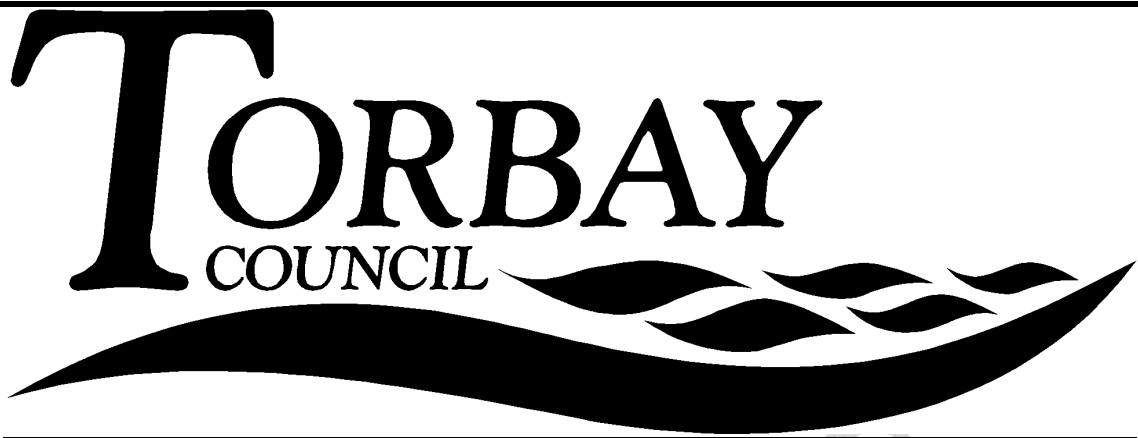
“Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management”.

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

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 capable of being 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.



CORPORATE
ASSET MANAGEMENT PLAN
2014 to 2018

2013 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

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AM-A	CAMT Terms of Reference
AM-B	SAMP Template
AM-C	Key Asset Management Performance Indicator Analysis
AM-D	Torbay Online Asset Database Extracts
AM-E	Property Strategy Action Plan (PSAP)
AM-F	Tenanted Non-Residential Property Portfolio Strategy and Review Action Plan
AM-G	Repairs and Maintenance Programme

EXECUTIVE SUMMARY

This Plan defines Torbay Council's Corporate Asset Management Strategy for the four year period commencing April 2014 to 2018 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).

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 Community and 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 2015
- Integrate the objectives of the adopted Local Plan 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 vision is:

“Working for a healthy, prosperous and happy Bay”

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

Torbay's Community Plan 2011+

Torbay Council Corporate Plan 2013-2015

Torbay Economic Strategy 2010-2015

A Landscape for Success: The Plan for Torbay to 2032 and beyond

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 e.g. Oldway Mansion. 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 deliver the current Community and Corporate Plans and the following pledges from the Corporate Plan:

- Investing in the future
- Spending less money to greater effect
- Protecting the vulnerable

The management of transport infrastructure assets is not held within this plan. In 2015-16, 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
- To provide a Port Masterplan that 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:

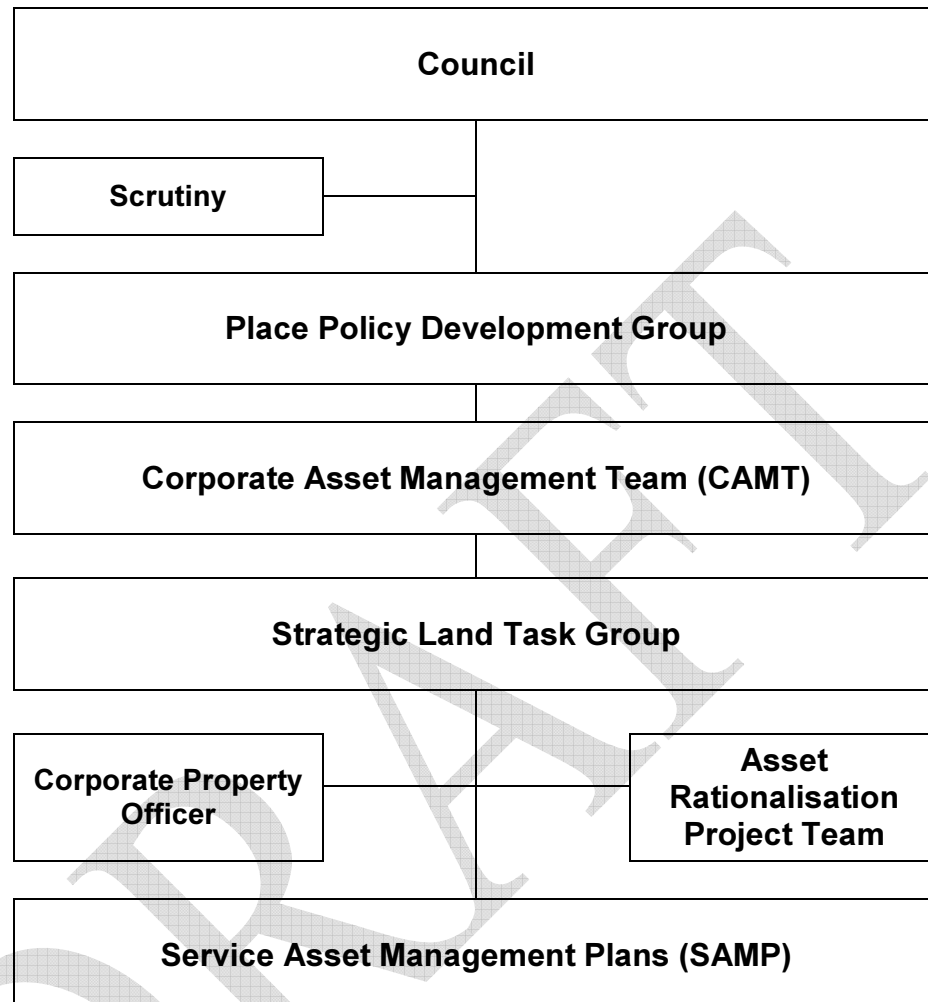
- Challenge and review the manner of use of assets
- Periodically review all assets to identify appropriate assets for alternative use or disposal
- Ensure the Council's disposal list is effectively implemented
- Ensure that non operational investment properties are performing
- Monitor running costs 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-B.

Corporate Property Officer (CPO)

The TEDC is commissioned by the Council to provide asset management services and to manage the Council's overall asset management process. The Chief Executive is responsible for advising CAMT and is supported by professionally trained property officers within the Company's Asset Management Team.

Corporate Asset Management Team (CAMT)

The team's prime function is to provide a forum to ensure that accommodation and asset issues are considered and dealt with in a manner that reflects the Council's corporate priorities.

CAMT comprises of Senior Council Officers from each Business Unit and Partner Public Sector Organisations, including Devon & Cornwall Constabulary, Devon and Somerset Fire and Rescue Service and Torbay and South Devon NHS and Social Care Provider Trust.

The current organisation, membership and terms of reference are attached at Appendix AM-A. Tasks undertaken by CAMT include:

- To develop and evaluate proposals for change of use, alteration, development, acquisition or disposal of service delivery assets
- To prioritise and manage the maintenance of assets and compliance with statutory obligations such as the Disability Discrimination Act 1995, the Equality Act 2010, Control of Asbestos Regulations 2012, the Health and Safety at Work etc Act 1974 and the Control of Substances Hazardous to Health Regulations 2002
- To support the Council's prioritisation process for Capital Expenditure
- To carry out yearly reviews of the Corporate Asset Management Plan and Capital Strategy

Council Members or the appropriate Senior Council Officers will be consulted on all recommendations prior to implementation.

Strategic Land Task Group

This group was established following a recommendation from CAMT 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 in property across all the Council's services and informs decisions on capital spending priorities within the Council's 4-year Capital Plan Budget.

The 2012/13 Capital Investment Plan, approved by Council in February 2012, changed the management of its capital plan for 2012/13 onwards.

The key stages in the revised process are as follows:

- a) Officers and Members identify and submit capital schemes, on an ongoing basis, to the Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer for inclusion in the capital reserve list in a specified format (an outline business case). If the initial business case is supported the scheme will be included for potential inclusion in the Capital Plan.

- b) Estimate of capital funding available for four years is made
- c) Capital schemes are prioritised in line with Capital Strategy and corporate priorities
- d) Council allocates un ring fenced capital grant funding to schemes in line with its priorities. Service intentions of the identified government body awarding the grant will be considered in determining allocations.
- e) Initial four year allocations of funding to schemes/services for planning purposes approved by Council as part of annual Capital Budget.
- f) Council delegates the approval of specific capital schemes within the approved capital plan in (e) above to the Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer.
- g) If a scheme is to progress further and be approved/funded there will be a requirement for a detailed business plan. This will apply to both new schemes and schemes identified for funding within the initial four year allocation of funding. Detailed business plan to be submitted to the Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer:
 - If scheme is to be funded from initial four year (approved) allocations the scheme will be approved by Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer and progressed when funding confirmed or,
 - if new funding, in addition to the approved four year allocation in (e) above, is to be used and if scheme is supported by Executive Director in consultation with the Mayor, Executive Lead for Finance and Chief Finance Officer it will be recommended to Council for approval.
- h) 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 scheme is supported it will be recommended to Council for approval.
- i) The capital plan will be updated and any recommendations for schemes to be approved by Council included in the next quarterly Capital Monitoring Report.
- j) Previous Council approvals for capital schemes to be funded from prudential borrowing will be considered for funding from future capital funding to avoid ongoing increased revenue costs.
- k) 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 capital scheme approval process.

The Capital Strategy (Appendix B) should be referred to for further detail.

4.0 CONSULTATION

Consultation with the Community

The Corporate Asset Management Plan is set specifically in context of the Community Plan and 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 in the following ways:

CAMT Membership

All service Business Units are represented at CAMT through service representatives. The representatives have a clear mandate and role as follows:

- Highlight the role and aims of CAMT to all Business Units and Services within the service area
- Establish asset issues as a standing item on all management meetings within the services
- Collate any issues via the Business Unit Representative and present them to CAMT for consideration
- Feedback to all relevant Business Units or Services information from CAMT
- Provide any information on funding bid applications

Stakeholders

The CPO meets when appropriate with major Stakeholders to consult on asset issues, potential disposals and specific project delivery. This includes consultation with the relevant Community Partnership. 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. Any relevant issues are included on subsequent CAMT agendas.

5.0 PERFORMANCE MONITORING

Corporate Asset Management Monitoring

The overall progress and performance of the Corporate Asset Management Plan aims and objectives are monitored in one of the following ways:

- CAMT will review progress of major action points at each meeting
- The Corporate Asset Management Plan will be reviewed by Council each year

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 2012 to 2013 with comparison to previous years and comments on trends and specific issues is included attached at Appendix AM-C

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, Community Plan and 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 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 expected in 2014.

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.

Working in partnership with our planning colleagues on the local neighbourhood plans.

Actions to date

- 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
- Work on our flagship Eco housing development is coming to an end delivering 145 homes including many that meet level 4 & 5 of the Code for Sustainable Homes
- 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 cinema, 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
- Formulation of a Strategic Land Task group looking 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
- Preparation of Strategic Housing Land Availability Assessment (Baker Associates)
- Preparation of the Employment land review

Where we need to be

- Ensuring that the Council uses its assets to effectively promote employment growth, inward investment and regeneration
- Working together including with the private sector to deliver the Employment & Regeneration programme which will include Council assets
- Ensuring all investment in the Bay has 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
- Current state of the property market will delay progress on projects
- 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 Employment & 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	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

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 the CAMT process and 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 at CAMT
- 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 Cultural 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

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 CAMT
- 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

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
- A clear plan for the improved use of assets for all services linked to Council and Community priorities
- Better identification of surplus assets and potential capital receipts for funding priority schemes
- A direct benefit to all the Community and 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 will be retained and the Council will 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 and an additional 5 in May 2013. 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.

Actions to date

The Council has developed a working group to deliver the objectives and 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)
- Twenty nine assets have been sold (January 2014) and a further two assets are under offer
- There have been total receipts of £4,057,100, an aggregate saving on repairs and outgoings of £773,490 and further yearly savings of £56,275
- The sale of vacant sites has enabled the provision of 74 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
- Community interest currently for the possible transfer of 4 assets
- 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

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

- Maintain efficiency
- To service the capital programme by bringing forward assets for disposal as the programme dictates
- To achieve wider regeneration objectives as appropriate
- Priority to disposal 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
Progress Community Asset Transfer Requests through Stage 2	Ongoing	CPO, Community Partnership Officer, Asset Panel Members	Ongoing
Progress the Disposal Programme	Ongoing	Agents, Disposal Officer, CPO	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 has a narrow economic base with dominant sectors including hospitality and retail being primarily low pay and other large sectors facing challenges. There are opportunities though with the following sectors having demonstrated the potential for local growth; the re-emergent advanced electronics and engineering, marine, professional services and the health economy.

To rebalance the economy, attracting new investment is essential and creating the physical environment and conditions for growth is important. Council assets, including highways infrastructure, therefore have a direct role in developing growth and should be developed in a way that supports that aim.

Further focus is required on how assets can stimulate wider economic activity for instance by using underused assets to support work and enterprise clubs, ensuring appropriate assets are transferred to the local community and in particular that employment land is brought forward 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
- A new Innovations Centre providing business incubator units has been constructed in Torquay and further locations are being actively considered
- New space for home based businesses in Torquay and Brixham
- The Council has tendered opportunities for the development of Torquay Town Hall car park and Clennon Valley 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

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
Progress the Employment & Regeneration Programme through various delivery routes for the portfolio of agreed projects	15 – 20 year delivery programme	TEDC Programme Manager	Ongoing
Develop planning application for Claylands site in Paignton for commercial use	2014	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

Risk

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 Community and 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 £26.5 million (excluding schools) have currently been identified of which almost £11.1 million (excluding schools) are categorised as urgent (Priority 1). Expenditure on repairs totalled almost £1.1 million during 2012 to 2013 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 4 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.

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:

- Expenditure is prioritised through an assessment system managed by CAMT
- Delivery of the repair programme is monitored at CAMT meetings
- A rolling record of outstanding repairs is updated by condition surveys carried out by the TEDC technical team. The data is kept within TOAD and is managed by CAMT
- The repair and maintenance budget and responsibility for expenditure has been centralised within the role of the Executive Head of Regeneration
- A five year rolling Condition Survey programme is underway
- A Repair and Maintenance programme has been developed. This is attached at Appendix AM-G. This programme prioritises works by condition grading and priority level
- A move to a 70:30 split between planned and reactive maintenance
- Agreed at CAMT that all works under the de-minimus level of £500 are the responsibility of building asset managers

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 2015
- 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
- Keep risk registers up to date
- 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
- When condition surveys have been completed, notification needs to be sent to the building asset manager

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 (including schools) represents 0.6% 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 e.g. Children's Services. 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 Community and 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 a specific service 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
- Bi-annual Water Hygiene risk assessments are in place
- 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
Introduce a bi-annual Risk Assessment of water systems	Achieved	CPO / TEDC	Achieved and Ongoing

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 Community and Corporate Plan

6.7 Energy Management

Where we are now

Torbay Council spend on energy in the financial year 2012/2013 was £2 million (including schools). The Council spend on water was £500,000.

Effective energy management will continue to reduce consumptions and lower emissions across Torbay Council's Corporate Estate, reducing costs to the tax payer. 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
- Short listed carbon reducing projects being implemented and further projects being identified
- Salix fund of £280,000 has been granted of which £177,000 has been spent (September 2013). This is being replenished by loan repayments and is managed by the Principal Services Engineer
- The Carbon Trust Standard was achieved which forms part of the early action metrics for the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. In addition automated meter reading has been rolled out across the major energy using sites of Torbay Council
- A position in the top 12% was achieved for Torbay Council in the league table of the CRC Energy Efficiency Scheme
- Voltage optimisation has been installed in Torquay Town Hall. BMS (Building Management System) has been installed into Tor Hill House to manage the working environment of the re-furbished offices
- Part night street lighting has been introduced across Torbay producing a significant reduction in energy consumption

Where we need to be

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

- Consumption reduction of 5% 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 5% per annum	Ongoing	Property Services	Ongoing
Develop partnership with South West Water to trial and install water saving devices throughout public conveniences and office toilets	March 2014	Residents & Visitors Services / Property Services	Tender documents prepared and out for tender (September 2013)

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 Resident and Visitor 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

Where we need to be

- Vacate Pearl Assurance House by 31st March 2014
- Vacate ground, 1st and 3rd floor of Commerce House by 31st August 2014
- Hand-over Oldway to developers
- Develop Units 1 & 3 in Tor Hill House for office accommodation (currently empty shop units)
- 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 Project Manager	On target for early completion – Jan 2014
Vacate ground, 1 st and 3 rd floor of Commerce House	31 st August 2014	ORP Project Manager	On target for early completion – April 2014
Refurbishment of 87 Abbey Road for Safeguarding & CIS teams	January 2014	ORP Project Manager	On target for early completion – Dec 2013
Refurbishment of Units 1 & 3 Tor Hill House for office accommodation	31 st March 2014	ORP Project Manager	On target
Aspen Way - accommodation options	n/a	ORP Project Manager	Costing/options stage

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
- Refurbishing empty shop units will offer more options for teams moving from Commerce House and offer rental/lease opportunities for the authority in the longer term as the requirement for office space reduces as a result of further budget constraints
- 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. This is a long-term and staged project addressing processes and IT development.

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
- Significant changes to the TOAD system have been completed to enable the system to manage the International Financial Reporting Standards (IFRS) reporting requirements
- Introduction of a new valuation module by Real Asset Management (RAM)

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

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 Infrastructure Assets including Harbours, Highways and Bridges
- Integration of data on Torbay's Individual Fleet Vehicles and Plant
- Asset data that can be readily realigned to changes in service delivery and partnering
- A comprehensive Health and Safety module on TOAD

Issues

- IT to agree priority additions to fields on TOAD to accommodate the above
- 2015/16 transport infrastructure assets to be accounted for

Action Plan

Action	Target Date	Responsibility	Current Status
Complete Training manual and establish training programme	Ongoing	TOAD Administrator	Achieved and training is ongoing as required
Continue to update and maintain the asset data	Ongoing	TOAD Administrator	Ongoing
Continue to update the linkage between MapInfo & TOAD	Ongoing	TOAD Administrator	Ongoing
Develop a Health and Safety Module	Ongoing	TOAD Administrator	Ongoing

Risk

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 Community and 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 Policy on 27 May 2008 and the policy was enacted from August 2008.

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 were seconded across to help set-up the company with the intention that these staff be 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 parties assets and potential future opportunities for collaboration around these assets.

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 new 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)
- Torbay was one of two national pilots working with Community Matters to deliver multiple asset transfers in Paignton Town Centre and Clifton with Maidenway. This initiative has now finished with the result being that a lease of the Monastery Chapel in Paignton was granted to ANODE on 20 December 2012 to assist their work with the community
- Transfer of the Babbacombe Cliff Railway to friends of the Cliff Railway
- Leases of land at Hollicombe and rear of 41/43 Hartop Road for use as a community gardens were granted in February & September 2012 respectively following the successful stage 2 application under the Community Asset Transfer Policy process

- A lease of land adjacent to 25 Raleigh Avenue was granted to the Residents' Association on 20 Dec 2012
- The transfer of Brixham Town Hall (excluding the library and museum) to Brixham Town Council has been completed
- A further seven applications are being considered under the Community Asset Transfer Policy process
- 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 in light of the Localism Act and decided that it did not need changing

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 consider how to implement the Community Asset Transfer Policy following the creation of the CDT as the Community Asset Support Officers have been seconded to the CDT
- 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
Identify new opportunities from Service Asset Management Plans	Ongoing	Service heads / CAMT	Achieved and Ongoing
CAMT to continue to monitor all partnership initiatives	Ongoing	CAMT / Service heads	Achieved and Ongoing
To work with the CDT about the future delivery of the Community Asset Transfer Policy process following the creation of the CDT	December 2013	CPO / CDT	Ongoing
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
To work with the VCS to review each parties assets	March 2014	CPO / TEDC / CDT	Ongoing

Risk

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 Community and Corporate Objectives
- Resource to 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 could see a reduction in the maintenance backlog
- In the cases where there are restrictive covenants on land or building it may be beneficial to transfer these to communities as the value of the land or buildings on the open market could be reduced due to the covenants

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, 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 840 leased assets and licences, which generate income of circa £2.9M per annum. The amount of income per agreement varies greatly with 52 assets generating an annual income in excess of £10,000 each and 76 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, 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 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-F)

Where we need to be

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

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

Issues

- To review the performance of 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 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

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
- 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-F) has not yet been Implemented
To develop a TNRP Disposal Policy	March 2013	CPO / TEDC	Achieved and included in above
To consider whether it is appropriate for a proportion of the proceeds from the sale of a TNRP to be re-invested in the service department	Ongoing	CPO / Chief Finance Officer	Included in above

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).

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

Corporate Asset Management Team (CAMT) Terms of Reference

Role and Responsibilities

The remit and terms of reference for the Corporate Asset Management Team were defined within a Report to the Directors titled "Roles and Responsibilities for Corporate Asset Management and Property Issues" dated 27th March 2001.

- Provide the strategic focus for dealing with accommodation and property issues within the Council and provide the route through which property issues are considered corporately
- Develop and refine the Council's Asset Management Plan, as required by Central Government, to "optimise the utilisation of assets in terms of service benefits and financial return"
- Develop the Council's Capital Strategy
- Consider and recommend courses of action to Heads of Service or Directors as appropriate
- Identify and make recommendations on proposed priorities for action/programme development
- Identify resources required to enable schemes or actions to be undertaken
- Identify and map property resources in Torbay and record suitability for function

Meeting Programme

Corporate Asset Management Team will meet periodically with a joint agenda "Strategic Issues" and "Property Issues"

The subject matter and composition of the meeting is defined below

Aim of Meeting

- To support / inform Capital Planning
- To share information between Council Services on Council assets
- To make decisions about property issues if within Officer Delegated Powers or to make recommendations to the Mayor or Council if decision is outside Officer Delegated Powers

Meeting Composition

The composition of the meeting combines representatives from all Directorates and Officers responsible for Corporate Policy and is currently as follows:

Corporate Representatives:

Corporate Property Officer (Chairman)
Executive Head Finance
Heads of Service as required

Directorate Representatives:

People
Environment
Operational Support

Partnership Organisation Representatives:

Torbay & South Devon NHS & Social Care Provider Trust
Devon & Cornwall Constabulary
Devon & Somerset Fire & Rescue

The composition of the meeting may be varied dependent upon specific agenda items

Meeting Dates

Yearly meeting schedules will be circulated at the beginning of each calendar year and reminders will be sent by way of circulation of the agenda

Minutes

Minutes distributed to Group Members and Director's Management Team

Strategic Agenda

An agenda will be circulated one week prior to each meeting.

The standard agenda headings are defined below.

- 1 Asset Rationalisation / Disposals Update
- 2 Capital Budget Update (Monitoring, Setting, Strategy)
- 3 Asset Management Update (AMP & PPI, Asset Register/TOAD)
- 4 Update on new external funding bids/projects
- 5 Update from Chief Executive of TEDC on strategic issues

Property Agenda

An agenda will be circulated one week prior to each meeting.

The standard agenda headings are defined below.

- 1 Office moves and Office Rationalisation Project update
- 2 Matters arising from Asset Rationalisation Team, Senior Leadership Team (SLT) and Senior Leadership Board (SLB)
- 3 Maintenance Programme / Asbestos Register / Legionella update
- 4 Specific Asset / Property issues

Appendix AM-B

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-C

Key Asset Management Performance Indicator Analysis (Including Schools)

Indicator	Description	Category	2011/12	2012/13	2013/14	2014/15	Benchmark	Comments
			Out-turn	Out-turn	Targets			
PI1- 1A	% GIA that falls in each of the Condition Categories (A = Good, D = Bad)	A	2%	4%	9%	14%	18%	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 12/13 figures
		B	45%	47%	52%	57%	60%	
		C	35%	32%	27%	22%	19%	
		D	18%	18%	13%	8%	3%	
PI2- 1Bi	Total Value of Backlog of Work (1 = Urgent, 3 = Desirable)	Priority 1 Priority 2 Priority 3	£14,208,743 £9,801,200 £11,692,285	£11,502,108 £6,655,761 £9,475,617	5% reduction		Not recorded	Further data has been captured and assets have been resurveyed. Academy Schools have been removed. This has impacted on the 12/13 figures
PI3- 1Bii	Required Maintenance Cost as a % in Levels 1-3 (1 = Urgent, 3 = Desirable)	Operational 1	40%	42%	37%	32%	11%	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 12/13 figures
		Operational 2	27%	24%	19%	14%	45%	
		Operational 3	33%	34%	44%	54%	44%	
Indicator	Description		2011/12	2012/13	2013/14	2014/15	Benchmark	Comments
			Out-turn	Out-turn	Targets			
PI4A- 1Dii	Repair & Maintenance spend per m2		£7.40	£8.24	£8.65	£9.08	Not recorded	Targets based on 5% increase. Academy Schools have been removed which has impacted on the m2
PI4B- 2A	Energy cost per m2		£10.23	£9.26	£8.80	£8.36	£12.30	Targets based on 5% reduction
PI4C- 2B	Water costs per m2		£2.37	£2.89	£2.75	£2.61	£2.01	Targets based on 5% reduction. Water spend has increased slightly. This is due to rising prices
PI4D- 2C	CO2 emissions per m2 in tonnes		0.045	0.049	0.047	0.045	0.07	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%	77%	
PI6- 4 BV156	% of public buildings which are DDA compliant		54%	61%	61%	61%	Not recorded	The Office Rationalisation Project has led to an increase in this indicator

Appendix AM-D Extracts

Torbay Online Asset Database (TOAD)

Core Asset Data Tab

Torbay Online Assets Database - Version 2

Billingham, Emma - Asset Registrar

Version: 2.6.1886.1791

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
Location	Torquay TQ1 3DL		
Easting	291438	Subject to a Condition Survey	Yes
Northing	64232		
Map Ref	265W	Building manager	
OS Ref		Contact Number	
Terrier 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	Property		
	... 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: 2.6.1886.1791

Asset T3037 - Pearl Assurance House

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

- 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
 - Condor
 - Kitchen
 - Ladies Toilets
 - Meeting Room
 - Office
 - Office
 - Office
 - Office
 - Stairs & Landing
 - Stairs & Landing
- 04 Third Floor
 - Store

Room Details:

Name	Office
Reference	000
Description	
TOTAL NIA m ²	8.10
TOTAL NIA Sq Ft	87.19
Notes	

Valuations Module

Torbay Online Assets Database - Version 2

INPUT SECURITY Billingham, Emma - Asset Registrar

Version 2.0.3889.17918

Name: Pearl Assurance House
Reference: T3037

Unallocated	Land	Buildings	Plant and Machinery	Fixture and Equipment	External Works
T3037-UNALL	T3037-LAND	T3037-BULD	T3037-PLNT	T3037-FRNT	T3037-EXTW
[Table]	[Table]	[Table]	[Table]	[Table]	[Table]

	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

INPUT SECURITY Billingham, Emma - Asset Registrar

Version 2.0.3889.17918

T3037- Pearl Assurance House

Block Name: Pearl Assurance House

Condition Data: True Premises Type: III

Pricing Base Date: 17/05/2007 Survey Date: 17/05/2007

Surveyed by: Kendall Kingscott

Ref. Internal Area: T3037

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 block with felt coverings and load detailing. The ground floor consists of retail outlet, Torbay Council occupy the upper floors on a leasehold basis.

Report Status: Final

Reports: View this Block, View ALL Blocks for this Asset, View Header, View Sub Elements, View Details, Update Form

Save

Emma Billingham - EDQA108 Version 1.0.0.0

APPENDIX AM-E

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
Page 54	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	CAMT, 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	CAMT, 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	CAMT, Property Services Group	Completion of projects within agreed timescales	Annual	Reviewed in CAMP yearly update – currently on hold because the budget for DDA works has been removed

Ref	Objective	Key Action	Key Change/Goal	Benefit/Outcome for Stakeholders	Lead Officers	Key Resources	Target	Target Deadline	Performance Monitoring
	Description of the strategic objective that is sought	Description of each specific action that will deliver the objective	Description of the specific change or goal that each action should produce	Description of the benefits that each action will deliver to service delivery groups and residents of Torbay	Description of the Officers taking ownership of delivery of each action	Description of the key teams upon which delivery of each action is dependent	Description of the hard and measurable outputs that each action must produce	Date deadline for target delivery	Description of how progress and performance will be assessed for each action
	Effective Repair and Maintenance	Implementation of reorganised R&M delivery process	Reduction of backlog maintenance	Improved service delivery from assets that are fit for use and publicly acceptable	CPO	CAMT, 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
Page 55		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	CAMT, 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	CAMT, Property Services Group	Completion of Asbestos Surveys & re-inspections	Ongoing	Monitoring at CAMT. 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	CAMT, Service Asset Representatives	To be undertaken annually	Ongoing	Review by CAMT. 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 56		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
		Brixham Town Centre	New supermarket and other commercial and residential accommodation	Improved economic performance	TEDC commission	Regeneration, Legal advisors	New facilities		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	CAMT, CPO, Disposals Officer, Planning Service, Finance	Identified sites sold	Ongoing	Monitoring at CAMT and Place Policy Development Group. 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 Project Manager		Refurbished Offices	August 2014	Project Team
Page 57	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	CAMT, IT, Finance, Service Asset Representatives	Data fields in TOAD completed and verified	Ongoing	Review by CAMT. 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	CAMT, IT, Finance, Service Asset Representatives	User Manual complete	Completed and updated when amendments are made	Review by CAMT. Delivery report included in CAMP yearly update

APPENDIX AM-F

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 off set 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 / Members of CAMT	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 840 leases and licences, which generate income of circa £2.9M per annum. The amount of income per agreement varies greatly with 52 assets generating an annual income in excess of £10,000 each and 76 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 Kilmorie Car Park, Galmpton and Daddyhole Plain.

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

N.B. Licences have been included in the above list but, since they do not form an interest in land then they 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 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 Members of CAMT. 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?
- Does the property contribute to corporate objectives through socio-economic benefits?
- Could the property meet identified future operational, 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. 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 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-G - REPAIRS AND MAINTENANCE PROGRAMME

TORBAY COUNCIL

YEAR 2014/15

Indicative budget pending budget proposals £500,000

Asset Reference	Asset Name	Budget estimated costs
Various Assets	Cyclical programme of condition surveys	£50,000
Various Assets	Asbestos re-inspection surveys	£10,000
Various Assets	Legionella Water Hygiene	£20,000
Various Assets	Cyclical programme of external redecorations	£100,000
Various Assets	Contingency fund (10%)	£50,000
Various Assets	Identified R&M Works (detailed below)	£231,500
Various Assets	Provision for Condition D Works identified from the 2013-14 condition surveys	£38,500
	TOTAL	£500,000

Asset Reference	Asset Name	Element	Condition	Priority 1	Priority 2	Priority 3	Priority 4
B0063AG	Shoalstone Swimming Pool	Mechanical Services	D	1000	0	0	0
B0109AB	Brixham Central Car Park Garage #10	Electrical Services	D	500	0	0	0
B0323AB	Fishcombe Beach Public Toilet	Electrical Services	B	0	2000	0	0
B0335AD	Broadsands Beach Public Toilets	Electrical Services	C	1500	0	0	0
B0370AA	Breakwater Car Park	Electrical Services	C	0	800	0	0
P0010AA	White Rock Changing Room	Ceilings	B	0	500	0	0
P0010AA	White Rock Changing Room	Floors and Stairs	A	0	1000	0	0
P0010AA	White Rock Changing Room	Redecorations	B	0	0	1200	0
P0010AA	White Rock Changing Room	External Areas	A	0	1200	0	0
P0010AA	White Rock Changing Room	Redecorations	C	0	1500	0	0
P0010AA	White Rock Changing Room	Electrical Services	C	0	0	1500	0
P0119AC	Youngs Park Public Toilets	Roofs	C	0	2000	0	0
P0119AC	Youngs Park Public Toilets	Redecorations	C	0	3000	0	0
P0119AG01	Youngs Park Open Shelters	Roofs	C	0	800	0	0
P0119AV	Youngs Park Gardeners Store	Electrical Services	D	500	0	0	0
P0119AV	Youngs Park Gardeners Store	Electrical Services	D	1000	0	0	0
P0119AW	Youngs Park Promenade Store	Roofs	C	2500	0	0	0
P0130AB	Quaywest Toilet Block	Electrical Services	D	500	0	0	0
P0130AB	Quaywest Toilet Block	Electrical Services	D	500	0	0	0
P0130AB	Quaywest Toilet Block	Mechanical Services	C	0	1000	0	0
P0130AB	Quaywest Toilet Block	Mechanical Services	C	0	1000	0	0
P0136AB	South Sands Public Toilets	Electrical Services	D	500	0	0	0
P0136AB	South Sands Public Toilets	Mechanical Services	C	0	500	0	0
P0136AF	South Sands Beach Managers Kiosk	Electrical Services	C	500	0	0	0
P0246	Roundham Car Park(ex Wickham Lodge)	Electrical Services	D	1000	0	0	0
P0246	Roundham Car Park(ex Wickham Lodge)	Electrical Services	D	7000	0	0	0
P0246	Roundham Car Park(ex Wickham Lodge)	Electrical Services	D	0	10000	0	0
P0246	Roundham Car Park(ex Wickham Lodge)	Roofs	C	0	2000	0	0
P0246	Roundham Car Park(ex Wickham Lodge)	Electrical Services	C	0	30000	0	0
T0008AB	Meadfoot Public Toilets	Electrical Services	C	1000	0	0	0
T0008AB	Meadfoot Public Toilets	Mechanical Services	C	1500	0	0	0
T0024AB	Watcombe Beach Public Toilets	Electrical Services	C	0	2000	0	0
T0026AF	Cockington Lodge	External Walls, Windows and Doors	C	2000	0	0	0
T0026AF	Cockington Lodge	Mechanical Services	C	0	500	0	0
T0091	Vaughan Road Public Toilets	Electrical Services	D	1500	0	0	0
T0091	Vaughan Road Public Toilets	Electrical Services	B	0	0	3000	0
T0091	Vaughan Road Public Toilets	Redecorations	B	0	0	5000	0
T0184	Old Town Hall Public Toilets	Electrical Services	D	700	0	0	0

T0245AA	Corbyn Toilet Block	Electrical Services	D	1500	0	0	0	0	0
T0245AA	Corbyn Toilet Block	External Areas	C	0	500	0	0	0	0
T0245AA	Corbyn Toilet Block	Electrical Services	C	0	500	0	0	0	0
T0245AA	Corbyn Toilet Block	Electrical Services	C	0	1000	0	0	0	0
T0245AA	Corbyn Toilet Block	Mechanical Services	C	0	2000	0	0	0	0
T0263AA	The Cottage	Roofs	C	0	25000	0	0	0	0
T0263AC	The Spanish Barn	Electrical Services	D	1000	0	0	0	0	0
T0263AC	The Spanish Barn	Electrical Services	C	2000	0	0	0	0	0
T0263AF	Torre Abbey Gatehouse	Roofs	D	0	0	3500	0	0	0
T0263AF	Torre Abbey Gatehouse	Electrical Services	C	0	500	0	0	0	0
T0263AF	Torre Abbey Gatehouse	Electrical Services	C	0	500	0	0	0	0
T0263AF	Torre Abbey Gatehouse	Electrical Services	C	0	500	0	0	0	0
T0263AH	Torre Abbey Palm House	Mechanical Services	D	500	0	0	0	0	0
T0263AH	Torre Abbey Palm House	Electrical Services	D	800	0	0	0	0	0
T0263AH	Torre Abbey Palm House	Mechanical Services	C	1000	0	0	0	0	0
T0263AP	Torre Abbey Upper Plant Room	Mechanical Services	D	8000	0	0	0	0	0
T0263AQ	Torre Abbey Gardeners Storage Build	Mechanical Services	D	500	0	0	0	0	0
T0263ZZ	Torre Abbey & Gardens - Remainder	Electrical Services	D	1000	0	0	0	0	0
T0266AC	Abbey Meadows Public Toilets	Electrical Services	D	500	0	0	0	0	0
T0266AC	Abbey Meadows Public Toilets	Electrical Services	D	500	1000	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	1000	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	1000	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	1500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	1500	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	25000	0	0	0	0
T0470	Torquay Town Hall Site-COs Complex	Mechanical Services	C	0	25000	0	0	0	0
T0470AD	Electric House Offices	Redecorations	C	0	10000	0	0	0	0
T0470AE	Upton Valley Offices	Mechanical Services	D	1000	0	0	0	0	0
T0470AE	Upton Valley Offices	Redecorations	C	0	1500	0	0	0	0
T0470AF	Torquay Central Library	Electrical Services	C	0	1000	0	0	0	0
T0470AF	Torquay Central Library	Mechanical Services	C	0	6000	0	0	0	0
T0505AC	Abbey Sands Beach Centre Toilets	Electrical Services	D	2000	0	0	0	0	0
T0903AA	Cricketfield Pavilion Changing Room	Electrical Services	D	1000	0	0	0	0	0
T0970AC	King George V Barn	Electrical Services	C	2500	0	0	0	0	0
T3025	Abbey Road Day Centre	Mechanical Services	C	0	2500	0	0	0	0
T3073	Thistledown Nursery	Roofs	C	1000	0	0	0	0	0

Agenda Item 7



Meeting: Overview & Scrutiny Board
Council

Date: 29th January 2014
6th February 2014

Wards Affected: All

Report Title: Review of Reserves 2014/15

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

Supporting Officer Contact Details: martin.phillips@torbay.gov.uk

1 Purpose

- 1.1 The Council holds a number of reserves as part of its approach to prudent resource management. The application and use of the reserves supports the achievement of service delivery and improvements in the Bay, as outlined in the Community and Corporate plans and related strategies. In addition the use of reserves can support any in year service budgetary pressures or budget pressures arising from Central Government's ongoing funding reductions.

2 Proposed Decision

Overview & Scrutiny Board

- 2.1 That Members review the Council's reserves as part of the 2014/15 budget process and make any recommendations to Council.

Council

- 2.2 That Council approve the transfer of the surplus of £0.2m identified on a number of individual reserves to the Comprehensive Spending Review Reserve.
- 2.3 That Council approve the transfer of the surplus of £0.1m identified on a number of individual reserves to a new Geopark Conference Reserve.
- 2.4 That Council approve the transfer of the surplus of £0.250m identified on a number of individual reserves to the IT Replacement Reserve.
- 2.5 That, subject to final confirmation of employer pension rates for 2014/15, Council approve the transfer of £0.4m from the pensions reserve to the Comprehensive Spending Review Reserve.
- 2.6 That Council approve the transfer of £1.5m from the PFI Sinking Fund to Childrens Services on an "invest to save" basis. Childrens Services to repay the reserve in future years.
- 2.7 That Council note the significant financial pressures facing the Council in 2013/14 and for future years, and consider during the 2014/15 budget process the allocation of additional funds to the Comprehensive Spending Review Reserve and/or the General Fund Reserve.

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 Act 2003 and the Localism Act 2011.

4 Summary

- 4.1 This report is highly influenced by the increasing financial risks facing the Council both from current financial pressures within Childrens social care (safeguarding and wellbeing) and the substantial budget reductions required for 2014/15, 2015/16 and future years. There is an increasing risk that during 2014/15 and 2015/16 the Council will not have enough identified reserves to support the one off expenditure

required to meet any in year budget shortfalls, costs for staff reductions due to budget reductions and any delays in implementing savings.

- 4.2 As a result of the increasing risk from the financial pressures facing the Council, (in particular from childrens social care), and the requirement for ongoing significant budget reductions, on achieving a balanced revenue budget it is recommended that the surplus on a number of reserves of approximately £0.550m is transferred to the Comprehensive Spending Review Reserve, IT Replacement Reserve and a new Geopark Conference Reserve.
- 4.3 As part of the Council's 2014/15 budget it is recommended that Council approve the transfer of £1.5m from the PFI Sinking Fund to Childrens Services on an "invest to save" basis. Children's Services to repay the reserve in future years. The timing and annual value of repayment to be agreed by Chief Finance Officer in consultation with the Mayor.
- 4.4 Reserves should not be used for supporting ongoing recurring expenditure. This 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.

Paul Looby
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 2014/15

A2.1 Overview

A2.2 As at 31/03/2013 Torbay Council's reserves were as follows:-

	31/3/12	Change in year	31/3/13 actual	31/3/14 estimate
	£m	£m	£m	£m
General Fund Reserve	4.0	0.4	4.4	4.4
Sub Total - General Reserves	4.0	0.4	4.4	4.4
Uncommitted Reserves	3.6	(0.2)	3.4	1.9
Timing of Spend Reserves	15.4	(5.4)	10.0	6.0
Partner/Ring Fenced Reserves	3.6	(0.4)	3.2	2.5
School Reserves	3.5	(0.3)	3.2	2.5
Specific Reserves	10.4	(0.5)	9.9	9.4
Grant monies not yet spent	-	2.0	2.0	0
Sub Total – Earmarked Reserves	36.5	(4.8)	31.7	22.3
Total Reserves	40.5	(4.4)	36.1	26.7

A2.3 A list of the Council's Reserves as at 31/03/2013 is attached at Appendix 1.

A2.4 The table in A2.2 shows that the total reserves held by the Council reduced by £4.4m during 2012/13. The General Fund Reserve increased by £0.4m to £4.4 million during the same period. This is discussed in more detail below.

A2.5 Each reserve has been assessed by the Service Manager and their Finance Manager for its estimated balance as at 31st March 2014 and for the estimated additions or withdrawals from the reserve during 2014/15 and future years. This is included in the table at Appendix 1. This table is shown after the recommendations arising from this report.

A2.6 The table in A2.2, (based on this review of reserves), shows that the level of reserves is expected to decrease by £9m during 2013/14 to £26.7m. 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.

A2.7 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.

A2.8 The CIPFA guidance on Reserves and Balances (LAAP bulletin 77) 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". 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 will be relevant in determining an appropriate level of reserves.

A2.9 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>

A2.10 The report found that many Councils had been setting aside funds as a response to funding reductions and financial uncertainty. CIPFA welcomed the report and made the following response:

"We have to be extremely careful about using one-off reserves to fund shortfalls in recurring funding. Reserves are not a long term solution. At best they buy time to enable service changes to be planned and

implemented in an orderly way. In these circumstances it is important that councils explain clearly to the public the actions and implications for services which are expected to follow in the medium and longer term.”

A2.11 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, however for 2014/15 Torbay has included additional information request from the budget holders as part of the annual review process such as asking for explanations of variances. The report does also include a number of questions that elected members may wish to consider.

A2.12 There has been frequent national comment about Councils using reserves to support revenue budgets. In August 2013 a DCLG press release on behalf of the Minister for Communities & Local Government said:

“Mr Pickles called on local authorities to consider whether such substantial reserves are necessary at a time when they should be focusing on protecting frontline services for residents and making sensible investments for the longer term. There are no rules that specify minimum or maximum levels of reserves and people will be surprised that while councils are hoarding billions in their piggy banks some are pleading poverty and raising Council Tax. While it is sensible for local authorities to maintain a healthy cushion, such substantial reserves are completely unnecessary and should be tapped into to ensure councils can protect frontline services and keep Council Tax down for hardworking people. Councils should also be making creative use of reserves to address short-term costs, such as restructuring or investing now to realise savings in the longer-term”.

A2.13 In considering these comments 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 £3.4m as at 31/3/13 of which £3.0 million was the comprehensive spending review reserve which is expected to be used to support redundancy costs arising from future reductions in government funding to Councils and £4.4m is the Council’s general fund balance which is discussed later. At present the Council does not have a large value of unallocated reserves compared to its overall budget and in particular, compared to the value of budget reductions required over the next few years.

A2.14 The Chief Finance Officer is reluctant to use any reserve funds, which can only be spent once, to support ongoing expenditure as that is not financially sustainable as it only delays the impact of the required budget reductions. However if the Council identifies any surplus funds from the review of reserves then this could be used to support one off expenditure. Any use of reserves for ongoing spend by a service on an invest to save basis must be repaid by the same service and will become a call on future year’s budgets.

Earmarked Reserves

A2.15 Specific comments on the following reserves are listed below along with any recommendations. For the Earmarked Reserves where no specific comment has been made below, it is suggested that no changes are made, however officers can provide further detail if required.

A2.16 Uncommitted Earmarked Reserves – balance £3.4m 31/3/13 (£1.9m 31/3/14)

A2.17 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 signed off by the Chief Finance Officer.

A2.18 As part of the 2013/14 review of reserves an additional £2.4m was transferred to this reserve from other reserves. However during 2012/13 £1.1m was used to support the overspend in Childrens services and £1.6m was used to fund the costs of staff reductions for the 2013/14 budget.

A2.19 The cost of severance packages for staff as the Council faces budget reductions are an ongoing significant budget pressure. The cost of “exit packages” are averaging at £1.5m per annum and this annual cost has been assumed for both 2014/15 and 2015/16. In this case the balance on this reserve will be committed over these two years, which means that the Council will have to identify additional resources to fund any shortfall in funding for 2014/15 and 2015/16. In addition the Council will have to identify additional resources for the cost of making the expected budget reductions in 2016/17 and

2017/18.

- A2.20 If the balance on this reserve is to be applied to future year costs of staff reductions then this reserve will not be available to support any 2013/14 in year budget pressures which may arise.
- A2.21 Given the significant budget challenges facing the Council and the associated costs of reducing staff numbers it is recommended that the surplus identified on a number of reserves of approx £0.2m is transferred to this reserve and this reserve is solely used for funding the costs associated with budget reductions (see para A2.25).
- A2.22 Timing of Expenditure Reserves – balance £12.0m 31/3/13 (£6.0m 31/3/14)
- A2.23 These reserves arise as a result of differences in timing between the reserve being established and the expenditure being incurred. 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.
- A2.24 As these reserves are linked to timing of expenditure, where the spend is expected to be after a period of one year then, on a temporary basis some of these reserves could be used on a short term basis to support budget shortfalls, however the reserve will need to be repaid to prevent a budget pressure arising in the future when the spend due to be funded from this reserve is incurred. The Chief Finance Officer recommends this is only considered in exceptional circumstances.
- A2.25 A review of the carry forwards held by services has identified that £0.550m could be released of which it is proposed that £0.200m is transferred to the Comprehensive Spending Review reserve and £0.250m is applied to the IT replacement fund to support software and hardware replacement pressures (see A2.35 below).
- A2.26 Council at its meeting in September 2013 supported the proposal to host a Geopark conference in Torbay, the potential shortfall currently estimated in the hosting of this conference is £0.1m. It is proposed to allocate £0.1m of the surplus reserves identified above to transfer into a specific Geopark Conference Reserve. However if sufficient sponsorship can be raised for this International event then some or all of the £0.1m can be allocated to the Comprehensive Spending Review Reserve.
- A2.27 Elements of carry forwards in relation to housing benefits have been reclassified to a Universal credit reserve to help with any costs to the Council from the proposed implementation of Universal Credit which includes housing benefits over the next few years and an element of funds for Domestic Abuse have been reclassified to a separate Domestic Abuse reserve within the remit of Public Health.
- A2.28 Collection Fund

The Collection Fund Adjustment Account (formally Collection Fund Reserve) is slightly different from all other reserves. 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). Any balance represents the sum collected over or under the assumed Council Tax collection rate and is normally distributed in the following financial year.

As a result of the introduction of the new Local Government funding arrangements from April 2013, the Council now 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 for 2013/14 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.

The amount of any surplus or deficit which a billing authority, like Torbay, estimates on its collection fund at the end of the current year is to be shared by both the billing authorities and Major Precepting Authorities. 49% of this falls to Torbay Council, 1% to Devon and Somerset Fire and Rescue Authority and 50% to Central Government.

In relation to the Torbay share of the Collection Fund surplus, there was a surplus in this reserve as at 31/03/13 of £1.8m of which £1.8m is to be used in 2013/14. Estimates of future year surpluses will be included in the 2014/15 Budget Setting process and reflected in the Medium Term Resource Plan.

A2.29 Prudential Borrowing Reserve

The balance on the prudential borrowing reserve of £1.0m is to be used to both spread the costs of timing differences arising from the Council's statutory "minimum revenue provision" calculation (4% reducing balance) and the actual repayments from services for unsupported borrowing (based on asset life), and also to support the reduction in Council borrowing costs in future years by either repayment of Council borrowing over the next four years in line with approved Treasury Management Strategy or by voluntary revenue provision transfers. As a result the Chief Finance Officer considers it would not be prudent to reduce the balance of this reserve.

A2.30 Partner/Ring Fenced Reserves – balance £6.4m 31/3/13 (£5.0m 31/3/14)

A2.31 These reserves are outside the Council's direct control in that the reserves are linked to funds held by partner organisations, schools, Economic Development Company or ring fenced Council services such as public health. The harbour reserves have been included in this category as the Council in the past has chosen to operate this Council service as if it were ring fenced.

A2.32 The balance of £3.2m held by schools 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 notional £1.0m and £1.5m annual reduction in the balances held by schools has been shown in Appendix 1.

A2.33 Specific Issue Reserves - balance £9.9m 31/3/13 (£9.4m 31/3/14)

These are reserves set aside for specific expenditure purposes.

A2.34 Insurance Reserve

The balance as at March 2013 for both the insurance reserve and the insurance provision before the addition of any current year surplus due to timing of claims was approximately £4.5 million. The Council's insurance team in consultation with the Chief Finance Officer review the earmarked amounts on an annual basis and take advice from an insurance actuary to ensure the adequacy of the reserves. The last actuarial review was a "mini" review as at March 2013. (The next full review is due March 2014).

Of the total reserve £1.9 million covers earmarked amounts for specific insurance risks such as Municipal Mutual Insurance (MMI) - both Torbay Council and Devon County Council liabilities, residual Devon County Council liability relating to services transferred to Torbay in 1998, a number of uninsured risks such as environment issues and industrial diseases (e.g asbestos) and monies for risk management initiatives. The balance within the reserve and provision which is earmarked for current and as yet unknown insured claims as at March 2013 is £2.6 million which is in excess of the latest actuarial assessment of potential liabilities combined with an allowance for the Council's "stop loss" i.e the level the Council's exposure is limited to.

As the 2014/15 budget proposals include a reduction to the annual revenue contribution to the reserve for claims 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. However, given the Council's overall financial position it is suggested that a reduction in the total reserve of £0.250m is possible which could be released over the next five years. This does however reduce the level of the insurance reserve, which is a risk that should be considered. 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.

In relation to Municipal Mutual Insurance (MMI), the company will not achieve a "solvent run off of claims" which has resulted in a liability for the Council under the scheme of arrangement. The MMI liability arose from the financial difficulties this insurer faced in the 1990's. In 2012 the Council was informed that the scheme of arrangement was triggered with an initial "levy" to be charged to the Council equal to the Council's share of 15% of the scheme's liabilities. In addition from January 2014 the Council will be liable to pay 15% of any new claims incurred. In light of this increased uncertainty it is suggested that the Council's current insurance reserve for this potential liability remains unchanged.

A2.35 Other Specific Reserves:

The Employment (Growth) Fund (£1.0m) was set up to support employment initiatives. Applications from business looking to create jobs will be considered for funding in line with the guidelines approved by Council.

Riviera Centre Reserve (£0.1m) was set up to support the future options for the centre. It is proposed to

allocate all of this reserve to the Riviera Centre in 2013/14 to enable grant reductions in future years.

Dilapidations Reserve (£0.2m) has not yet been allocated to a specific proposal therefore it is proposed to combine this reserve with the office rationalisation reserve as its aims are similar.

IT Replacement Fund (£0.4m) As a result of prior year budget reductions there is no annual contribution to the IT Replacement Fund. This fund is now under pressure with new demands totalling up to £0.5m of which 50% can be funded from the existing reserve. It is proposed the shortfall of £0.250m is supported by the transfer to this reserve of some service carry forwards (A2.25).

- a) The majority of the Council's PC estate (80%) runs the Microsoft Windows XP operating system which will no longer be supported by Microsoft from April 2014. This means that the Council needs to upgrade all the old Microsoft Windows XP software (and some physical PC's) on our PC estate to the Microsoft Windows 7 operating system, in order to receive continued software support and security patches from Microsoft and comply with the new Cabinet Office ICT security guidance. We have no choice but to undertake these software upgrades.
- b) The Cabinet Office's new ICT security guidance does not allow the connection of remote unmanaged devices to the Council's ICT network. (i.e. that is, staff using remote equipment or their own personal home to access the Council's Network and systems). This means that staff currently accessing Council systems from home using their own PC's and devices will no longer be able to do this unless the Council supply them with a managed Council owned PC or device. Funding is required to procure Laptops (or other devices) for these staff. The only option here is to provide staff with Council owned equipment if remote access is required in order for them to continue to undertake their job.
- c) The Council would like to enable a more "agile" working environment for staff in order to maximise accommodation rationalisation. In order to achieve this ICT technology is required (hardware/software i.e. "VDI") to enable desk sharing and the "agile" working environment. This is not a compliance issue; it is required to support Council strategy, and is expected to reduce future expenditure on IT hardware.

The TDA Capital Scheme Reserve is held to support regeneration schemes in the Bay. It is intended that any balances in this reserve are used to support schemes in the approved Capital Investment Plan.

Land Charges Reserve (£0.2m). Changes in central government guidance and interpretation of legislation regarding the "environmental" data Councils hold has led to considerable uncertainty regarding the charging of fees and in particular whether Councils will be required to repay fees previously charged. This issue is still being considered on a national basis which the Council will continue to monitor, therefore no changes to this reserve are proposed.

Pension Reserve (£0.4m). The Council has had the results of the triennial actuarial review of the Devon County Pension Scheme and the Council's future employer contributions required to fund the scheme's financial position. Following the results of this review the balance on this reserve is expected to be surplus. After the final confirmation of the actuarial figures the balance on this reserve can be transferred to the Comprehensive Spending Review Reserve.

On the review of reserves a number of other balances have been identified as surplus. These total £0.050m including funds from the Crematorium Reserve and the equipment fund. It is recommended that the surplus on these reserves is transferred to the Comprehensive Spending Review Reserve.

A2.36 Potential Liabilities

The Council, as identified in its Statement of Accounts, has given a number of guarantees. The Council has also entered a number of contracts which could lead to a future liability such as dilapidation costs on leased in buildings. In particular the Council has provided a guarantee to bankers to the Torbay Coast and Countryside Trust for £975,000 to provide cover for the Trust's loan and overdraft facility. If the bankers call the guarantee the Council will have to fund the £975,000 from its own resources which will probably result in the use of, as yet unidentified, reserves.

In addition the Council has provided a number of guarantees for pension liabilities to services now outsourced, such as Provider Trust and the Economic Development Company, however it is unlikely that these guarantees will result in a cash payment from the Council.

A3 Review of Provisions and other Potential Liabilities

A3.1 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 probable to result in a payment but the amount and timing of the potential payment is uncertain.

A3.2 As at 31/03/2013 Torbay Council's provisions were as follows:-

11/12		12/13	Change
£m		£m	£m
0.6	Insurance Provision	0.7	0.1
0.1	Pay Modernisation (incl. schools)	0	(0.1)
0.6	Restructure/Budget Reductions	0.4	(0.2)
0.3	Other Provisions	0.8	0.5
1.6	Total Provisions	1.9	0.3

A3.3 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 2013/14 except insurance where the "time lag" on claims being notified and settled is often over one year. Other provisions tend to be linked to legal issues such as property claims.

A4 General Fund Reserve - Risk Assessment and Sensitivity/Scenario Appraisal

A4.1 The Council's General Fund Reserves of £4.4 million represents 3.5% of the Council's net 2013/14 budget. Using the Audit Commission profiling information this level of "unallocated financial reserves" is lower than average compared to other unitary Councils.

A4.2 The CIPFA guidance on reserves does not recommend a statutory minimum level of reserves. It states that "Local Authorities should make their own judgements 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".

A4.3 A risk assessment of all 2013/14 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 £9.1 million or 7% of 2013/14 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 £10.1 million or 8% of net budget. The current level of General Fund Reserve will cover just under 45% of this sum.

A4.4 This risk assessment overall is higher than 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 particular the current year budget pressures. In addition the challenges of achieving the ongoing significant budget reductions from central government create a major risk of budget variations.

A4.5 A 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 Torbay and Southern Devon Health and Care NHS Trust as the level of funding to the Trust is over £43 million per annum. For 2013/14 the Care Trust and Council have not agreed to share the risk of any over or under spends on the most volatile budget area. Although the Council and Trust (and the new provider after the acquisition process due to be completed during 2014/15) will discuss risk share arrangements for 2014/15 as part of the 2014/15 budget process, at this stage it is unknown whether a risk share will be agreed for 2014/15. The risk assessment above continues to reflect this significant uncertainty.

A4.6 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, Childrens Social Care, have already declared a significant overspend in 2013/14. However it is unlikely that all budgets will be adversely affected in the same year or that there will be no underspend arising from savings or additional income. Therefore the General Fund Reserve should as a minimum be equal to 50% of the total assessed risk in any financial year (which equals to 4.0% of 2013/14 net revenue budget). This for 2014/15 will result in a required general fund reserve balance of £5.1 million. At this stage the current general fund balance of £4.4 million is £0.7 million below the target level.

- A4.7 Following consideration of the above, in the opinion of the Chief Finance Officer, the current level of general fund reserve should not be reduced and ideally increased to reflect the higher level of risk, as balances would fall below a prudent minimum level. Therefore it is recommended that Members give consideration to increase the level of this reserve as part of its Medium Term Resource Plan.
- A4.8 The 2014/15 budget to be presented in February 2014 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.

Capital Investment Plan

- A4.9 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 programme, 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.
- A4.10 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.
- A4.11 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.

A5 Short term Use of Earmarked Reserves

- A5.1 The Council is facing substantial budget pressures over the current financial year from the significant overspend in Childrens service and from the high level of budget reductions required by reductions in central government funding to the Council over the next two financial years. It is possible the services are unable to deliver the required savings within the timescale required so the Council may have to fund the shortfall to achieve a robust balanced budget.
- A5.2 The Council is unlikely to have enough general reserves to fund this situation. Other reserves where the spend is expected to be after a period of one year could, on an emergency basis, be used on a short term basis to support budget shortfalls. However the reserve will need to be repaid to prevent a budget pressure arising in the future when the spend due to be funded from this reserve is incurred.
- A5.3 As already recommended the reserve which could be used for this circumstance is the PFI sinking fund (£3.3m) where the reserve is to be used over the next 14 years, and a part of the insurance reserve, say £1m. Both would need to be repaid by the relevant service which will be a cost to the service above any future budget reductions that are required. Whilst the short term use of earmarked reserves is a strategy available to the Council the Chief Finance Officer's view is this should only be used in exceptional circumstances.
- A5.4 Linked to A5.1 above as part of the Council's 2014/15 budget it is recommended that Council approve the transfer of £1.5m from the PFI Sinking Fund to Childrens Services on an "invest to save" basis. Children's Services to repay the reserve in future years. The timing and annual value of repayment will be agreed by Chief Finance Officer in consultation with the Mayor. The £1.5m will be allocated to specific invest to save initiatives within Children's Services.

A6 Comparison with Other Councils:

- A6.1 The Audit Commission Report, (paragraph 2.9 above) does state that the amount that Councils need or choose to hold in reserve varies due to local circumstances. This does make any comparison with other Council's to contain a "health warning".
- A6.2 A comparison of the Council reserves as at 31/3/13 with data for single tier and county councils in the Audit Commission report (to 31/3/12) is shown below:

	Torbay	AC Data
Total reserves as a % of net revenue spending	25%	28%
% of total reserves earmarked for a specific purpose	86%	78%
Unallocated (General) Reserves as a % of net revenue spending	3.5%	5%
% Increase/(decrease) in total reserves over past year	(8%)	14%

Note: data excludes schools and collection fund reserves.

This shows that Torbay has a lower than average general fund reserve compared to other Councils, and has a decreasing level of reserves compared to other Councils where reserves are increasing which the Audit Commission attributes as a response to funding reductions and increasing financial uncertainty.

- A6.3 Comparing Torbay with its two closest (single and higher tier) neighbours Plymouth City Council and Devon County Council using information from their 12/13 accounts.

	Torbay	Plymouth	Devon
Net Budget 2013/14	£127m	£213m	£521m
General Fund Reserve	£4m	£11m	£15m
Percentage general fund/net budget	3.5%	5%	3%
Earmarked Reserves	£27m	£30m	£78m
Percentage earmarked reserves fund/net budget	21%	14%	15%

Note data includes insurance provisions but excludes schools and collection fund reserves.

This table shows that the profile of Torbay's reserves are similar to Devon in that it has a greater percentage of earmarked reserves compared to General Fund Reserves, however as a unitary Council Torbay has a greater range of services to provide.

A7 Chief Finance Officer Statement.

- A7.1 On the assumption that a balanced budget can be achieved for 2013/14 and a robust budget set and realistic savings identified for 2014/15, I am satisfied that the Council's General Fund and Earmarked Reserves, including Insurance Reserves, are adequate for the Council's Financial Plans for 2014/15 and to meet any known or predicted liabilities over the period in which the liabilities are expected to become due for payment.
- A7.2 An updated statement on the level of reserves and their adequacy in relation the Council's financial plans will be presented to members when Council considers the final budget proposals in February 2014.

A8 Governance of Reserves.

- A8.1 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.
- A8.2 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. Councillors should consider the Council's General Fund Reserve as part of the annual budget setting process.
- A8.3 Any quarterly reporting of issues relevant to earmarked reserves will be on an exception basis. Where appropriate a "withdrawal from reserve" form is completed and signed by the Chief Finance Officer and the Mayor.
- A8.4 Any budget variations that are reported to Council which can not be funded from existing revenue resources will then, as a consequence, impact on the projected balance on the General Fund Reserve.
- A8.5 Schools reserves are part of the delegated schools funding and these reserves remain at the discretion of the Head Teachers and Governing Bodies.

A9 Risk assessment of preferred option

- A9.1 Outline of significant key risks
- A9.2 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.

- A9.3 The two 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 childrens social care.

Appendices

Appendix 1

Council Reserves as at 31/3/13

2014/15 - Review of Reserves

-	Balance as at 1/4/13 £'000	Balance as at at 1/4/14 £'000	Balance as at at 1/4/15 £'000	Balance as at at 1/4/16 £'000	Balance as at at 1/4/17 £'000
Reserves					
General Reserves					
General Fund	4,356	4,356	4,356	4,356	4,356
	4,356	4,356	4,356	4,356	4,356
Earmarked Reserves:					
Uncommitted Reserves:					
Comprehensive Spending Issues	3,065	1,928	428	428	428
Budget Pressures	350	0	0	0	0
	3,415	1,928	428	428	428
Timing of Expenditure:					
Capital Funding Reserve	1,324	1,045	865	865	865
Collection Fund Reserve	1,824	-301	700	500	500
Council Elections	66	113	161	29	77
Prudential Borrowing	1,787	953	932	911	896
PFI Sinking Fund	3,322	3,318	3,364	3,373	3,342
Service C/fds	1,343	200	159	154	35
Unspent Grants c/fd	2,031	262	25	19	13
	11,991	5,982	6,498	6,143	6,020
Partner/Ring Fenced Reserves					
Devon Audit Partnership	17	17	17	17	17
EDC Reserves (paid in advance)	1,218	718	218	0	0
School Balances	3,214	2,514	1,014	1,014	1,014
Harbours Reserves	1,145	710	412	345	280
Public Health Disease Outbreak	436	436	436	436	436
Public Health	42	342	250	200	100
Education Schools					
Redundancy/Retirement	323	300	200	100	100
	6,394	5,036	2,546	2,112	1,947
Specific issues					
Art Objects Purchased Fund	37	29	14	14	14
Crematorium	45	25	25	25	25
Asset Issues & Disposal Costs	270	222	222	222	222
Dilapidations	217	0	0	0	0
Growth Fund	975	850	505	220	85
Equipment Reserves	191	121	121	121	121
Employment Issues	152	100	100	100	100
Education Early Retirement	169	150	140	130	120
Geopark Conference Reserve	0	100	0	0	0
Insurance Reserves	3,743	3,693	3,643	3,593	3,543
IT Equipment Reserve	394	488	238	0	0
Land Charges	191	191	191	191	191
Office Rationalisation	295	392	292	292	292
Planning Reserve	394	394	0	0	0
Public Health - Domestic Abuse	0	284	284	284	284
Regeneration Reserve	292	227	292	292	292
Riviera centre	110	20	0	0	0
Supporting People Commissioning	736	455	175	0	0
Tourism	114	40	0	0	0
Local Enterprise Partnership	40	20	0	0	0
Pension	385	385	385	385	385
TDA - Capital Schemes Reserve	7	0	0	0	0
South Devon Link Road	912	912	1,234	0	0
Community Development Trust	300	200	100	0	0
Taxi Reserve	36	36	36	36	36
Universal Credit	0	361	361	361	0
Waste Strategy	234	103	28	0	0
	9,942	9,403	8,092	5,973	5,417
Total Earmarked Reserves	31,742	22,350	17,564	14,655	13,812
TOTAL RESERVES	36,098	26,706	21,920	19,011	18,168

Agenda Item 8



Medium Term Resource Plan

This plan from November 2012 is a rolling plan that will be updated on an ongoing basis when changes are known e.g. legislation, funding notification and estimates of income and expenditure.

“The Plan” will be available on the Council website.

For further information please email financial.services@torbay.gov.uk

Plan last updated on 18th December 2013

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- 2 TIMETABLE FOR KEY DATES
- 3 KEY INDICATORS & ASSUMPTIONS
- 4 OVERVIEW
- 5 INCOME
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- 7 CAPITAL, ASSET MANAGEMENT AND TREASURY MANAGEMENT
- 8 RESERVES & RISK

1 KEY SUMMARIES

Overall Funding Summary

Having taken into account the income and expenditure estimates based on the assumptions detailed in this Plan, the table below summarises the estimated income and expenditure pressures faced by the Council and the estimated funding gap for the period of the Plan.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Estimated Income (RSG, Business Rate Retention, Council Tax & Collection Fund)	126,766	117,058	107,381	99,903	95,400
Expenditure b/fd		126,766	117,058	111,148	116,950
Cost Pressures	-	2,263	1,979	2,753	2,101
Demand Pressures	-	2,456	2,500	2,500	2,500
Discretionary Decisions	-	435	0	1,050	0
Other (e.g. service funding changes)	-	(2,799)	(418)	(501)	(363)
Less proposed savings	-	(12,063)	(9,971)	-	-
Expenditure	126,766	117,058	111,148	116,950	121,188
Total Estimated Cumulative Funding Gap	0	0	3,767	17,047	25,788
Estimated In- year Funding Gap	0	0	3,767	13,280	8,741

Table last updated 18th December 2013

Summary Income Position

The table below summarises all the income information identified in section 5 of this Plan.

	2013 /14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Revenue Support , LACSEG and LSSG Grants	44,061	36,330	25,261	16,214	9,517
Business Rate Retention & Top Up	28,433	28,420	28,682	29,395	30,513
Council Tax	52,447	52,608	52,738	53,794	54,870
Collection Fund Surplus/(Deficit)	1,825	(300)	700	500	500
Total	126,766	117,058	107,381	99,903	95,400

Table last updated 18th December 2013

Note: These figures are estimates at a point in time and will be inevitably subject to change and be updated as appropriate.

2 TIMETABLE

The key dates in relation to the Council's budget setting process are:

Revenue Budget Setting Process		Timeline
2014/15 Budget Development	Mayor & Executive Director	January 2013 – November 2013
2014/15 Budget Consultation	Executive Director	Autumn 2013
2014/15 Finance Background Reports available	Overview & Scrutiny Board	December 2013
2014/15 Mayor's Budget Proposals	Council	December 2013
2014/15 Budget Approved	Council	February 2014
2014/15 Council Tax Set	Council	February 2014
2014/15 Budget Digest published with future years	Chief Finance Officer	March 2014
2013/14 Outturn Reports	Council	July 2014

The Medium Term Resource Plan is a standing document and will be updated when new information or estimates are available.

3 KEY INDICATORS & ASSUMPTIONS

A selection of key indicators and assumptions are presented in the table below.

	2012/13 Actual	2013/14 Target	2014/15 Target	2015/16 Target
Assumptions:				
Council Tax Rise	-	0%	0%	0%
Reduction in Income	-	£3.2m	£9.7m	£9.7m
Council Tax in Year Collection Rate	96.1%	96.5%	96.5%	96.5%
Savings Required	-	£9.3m	£12.1m	£13.7m
New Homes Growth	-	0.4%	0.4%	0.4%
Key Indicators:-				
Performance against Budget (% variance under)	(0.3)%	0%	0%	0%
Long Term Borrowing against long term assets	50%	60%	60%	60%
General Fund Reserve against budget	3.5%	3.5%	4%	4%
Schools reserves against DSG	7%	5%	5%	5%
Earmarked Reserves against net budget	21%	12%	17%	15%
Liquidity – current assets against current liabilities	2.8:1	2.2:1	1.5:1	1.5:1

Table last updated 18th December 2013

To arrive at the estimates contained within this plan the Chief Finance Officer, where appropriate, has considered alternative scenarios and the sensitivity of the estimates used.

4 OVERVIEW

The Medium Term Resource Plan (MTRP) is a key financial planning document and supports the Council in ensuring it uses its resources in the best way possible to meet the needs of communities in the Bay and to plan effectively for the use of those resources in the medium term. This Plan sets out the resource projections for the next four years, the financial challenges and will help the Council deliver the priorities as set out in the Corporate Plan.

The budget challenges for future years, particularly from 2015/16 onwards, where the Council's Revenue Support Grant is being cut by 30% in that one year cannot be understated. These are significant budget reductions and with over 60% of Council net budget allocated to social care the challenge to get a robust budget that provides the statutory services the Council should provide is immense.

Local government has always been subject to a number of significant challenges as a result of changes to national policies and increasing demands. However with the government's commitment to reduce the public sector deficit and the continuing period of austerity the country is facing, local government has never faced a more uncertain future primarily driven by the ongoing reduction to the funding provided to support local services. 2014/15 will be the fourth year of the current Comprehensive Spending Review where central government funding to local government is expected to have fallen by 28% over these years and the Council has used the Council Tax Freeze Grant to keep tax increases to nil.

Central Government published the 2014-15 Local Government Finance Settlement on 18th December 2013. This indicated that Torbay Council's 2014/15 "baseline" funding would be £64.3m in Revenue Support Grant and Business Rate Retention compared to £71.2m in 2013/14, a year on year reduction of £6.9m.

In addition the Chancellor announced a "baseline" figure for 2015/16 with a RSG and Business Rate Retention sum of **£54.5m**, a reduction of £9.8m or a two year reduction of £16.7m compared to 2013/14.

The Governments figures are based on their assumed NNDR baseline for Torbay. The actual NNDR income for Torbay will depend on actual changes in NNDR income – up or down – from that baseline. Current indications are that the Council's NNDR income is reducing.

The Government has announced a number of changes to the NNDR system to encourage growth. These changes will reduce NNDR income by the central government had confirmed it will make good any losses in Council income as a "new burden".

These are cash reductions in funding therefore any spending pressures the Council has, for example, from increased demand for social care, inflationary pressures or a reduction in other grants or income will be an additional pressure to be funded from budget reductions. If these pressures are recognised the Council is facing a two year shortfall of £25.8 million. Of this figure £22m has been identified and budget reductions are being consulted on.

There is a continuing extreme financial impact of service pressures within Children's Services due to increasing numbers and complexity of cases. In addition to the £2m extra funds provided in 2013/14 for safeguarding, this service is expected to overspend by a further £4m in 2013/14. An overspend of this level is unsustainable and the Council will have to make budget reductions to other services elsewhere, above and beyond those required by reductions on central government funding to continue to provide this level of service.

In addition the central government is proposing for 2015/16 to change the allocation of existing funding in a number of areas by removing (or pooling) existing revenue and capital grants from the Council and distributing them to a regional body or pooled working, such as:

- transferring the Integrated Transport capital grant to support the Local Enterprise Partnership and
- transferring the Disabled Facilities grants and social care capital grants to be combined in the proposed Health and Social Care Shared Care Fund.

In all these cases these are funding sources that the Council currently uses so any reductions in these will have to be funded from additional reductions to expenditure unless the new body agrees to fund existing pressures.

The Council will continue to plan for the changes in funding resulting from the impact of central government's changes to services. These include:-

- the loss of funding from the continuing conversion of Council schools to Academies
- the ongoing impact of welfare changes in particular the replacement of a number of benefits, such as housing benefit that the Council manages with the Universal Credit. Despite the delays the government is still stating April 2017 as the target date for full implementation, although that may be revised.

The Plan will provide the **context** for future financial planning and the Council will need to consider how to address the implications of reduced funding over the remaining year of the current Comprehensive Spending Review (CSR) period, the provisional settlement for 2015/16 and the deficit reduction plan after that period in conjunction with development of the Council's Corporate Plan and priorities.

The Plan highlights the financial challenges faced by the Council and the fact this Plan estimates the Council will have to close an estimated budget gap of **£26m**, (in addition to the £22m savings identified in November 2013 for 2014/15 and 2015/16), over three years between 2015/16 and 2017/18 based upon existing service demands and "normal" budget pressures including inflation and demographics for the Bay. The expectation is ongoing budget reductions are likely to continue for the rest of this decade. These reductions have to be set in context of the Council having to absorb the impact of rising costs, in particular to meet the care needs of an increasingly elderly and frail population as well as additional pressures within Children's Social Care which are outlined later within this Plan.

Given the size of the potential reductions, the Council has been identifying savings for both 2014/15 and 2015/16 rather than the annual saving process previously used. Due to the expected scale of reductions faced by the Council it will not be possible to achieve these savings by further efficiencies and it is inevitable that some services will face reductions or will be subject to significant changes.

As articulated through the Corporate Plan, despite these difficult times, the Council's strategy will be to continue to deliver value for money services and quality services and an affordable council tax level for local residents. During the autumn of 2013 the Council embarked upon a consultation exercise with residents and stakeholders on the scale and type of reductions to services to address the budget gap in 2014/15. In early December 2013 the Mayor presented his proposed revenue budget for 2014/15, together with spending targets for Council services in order to achieve the required budget reduction.

The Council's provisional allocations from central government for both 2014/15 and 2015/16 in December 2013 will be confirmed in early 2014.

It is clear that the Council continues to face its most challenging period since it became a Unitary authority in 1998 and it will need to develop a strategy which addresses the funding shortfall in future years and take measures that will try to minimise the impact of the spending cuts to a deprived area such as Torbay.

The Council must continue to explore new ways of delivering Council services with an emphasis of maintaining service levels whilst maximising value for money and reducing its cost base through generating further efficiencies. However, in a number of services it is becoming increasingly difficult to generate further efficiencies without reducing service levels, and the Council must continue to plan for a reduction in services provided to customers over the medium term.

5 INCOME

Central Government Grant

The CSR announcement in October 2010 suggested that, over the 4 year period, the level of grant from the Government would fall by some 28% in real terms. In June 2013 the Chancellor as part of the Budget Statement reduced the national funding allocations to Local Government for 2014/15 by a further 1%. In addition the Chancellor announced a headline reduction of **10%** for 2015/16 in the overall local government spending limit which includes the NNDR retention scheme. For Torbay in 2015/16 this equates to a £10m or 30% reduction in grant.

Total spending in 2016/17 and 2017/18 will continue to fall in real terms at the same rate as during the Spending Review 2010.

It is worth noting that the Councils assessment of need for grant was “frozen” at a baseline for 2013 and is expected to be until 2020. This means that there will be no additional funding of the Councils “need” for funding increases say in demand for social care. The Councils funding will be linked to simple percentage reductions linked to the baseline. Unfortunately the baseline also froze the £4m that the Council “lost” annually in the damping of grant within the old funding assessment.

With this frozen baseline and the business rate retention scheme there is a clear shift that Council funding is now significantly based on its economic growth (NNDR and homes) and not needs based. So in simple terms no growth, no increase in funding.

The table below provides an estimated position on future funding levels over the next four years. It must be emphasised that due to the uncertainty with respect to government grant reductions in 2014/15 onwards and the introduction of the Business Rate Retention Scheme this is an estimated position at a point in time.

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Business Rates – 49% share	17,603	17,496	17,801	18,428
Top Up payment	10,600	10,892	11,229	11,611
Revenue Support Grant	35,318	24,755	16,115	9,422
LSSG Grant	112	106	99	95
LACSEG Grant (estimate - funding to be announced)	900	400	0	0
Distribution from the Devon Business Rate Retention Pool	217	294	365	474
Total “General” Income	64,750	53,943	45,609	40,030
% reduction		17%	15%	12%

Table last updated 18th December 2013

For the purposes of this Plan it has been assumed Torbay will have a £24.7m reduction in its core grants from central government over the four year period. This estimate is based on a combination of factors including:

- the fall in the overall resources available to local government;
- the impact of the transfer of specific grants to revenue support grant;
- the impact of the transfer of resources from local authorities to fund academy schools;
- the impact of any technical changes such as RPI assumptions and “hold backs” to grant allocations.

In 2013/14 Public Health transferred to local authorities, this is a commissioned service with a series of contracts with a number of providers. The service is funded by a grant in excess of £7m. This grant is ring-fenced until at least 2014/15, so for the purposes of the Plan has not been included within the overall figures.

The Council will continue to explore all other opportunities for further grant funding building upon opportunities such as Social Investment Bonds, Local Enterprise Partnership and other opportunities as they arise. Whilst these areas may provide access to further sources of

income they are unlikely to mitigate the decrease in grant in future years and the impact this will have upon all services, particularly discretionary services.

Government Grants (Direct and Indirect)

The Council does receive specific grants such as Dedicated Schools Grant (where the majority goes directly to schools), Public Health Grant and the Housing Benefit Administration Grant (which is treated as part of the revenue account), and a number of other smaller grants. The DSG will reduce as more schools convert to academies, the housing benefit grant will reduce with the introduction of universal credit and the Public Health Grant is ring fenced.

With the introduction of the Council tax Support Scheme the Council received a grant of £12m equal to 90% of the costs of the old Council Tax Benefit Scheme. This grant has now been transferred to the revenue support grant. In a technical consultation document DCLG state that the value of this grant has been protected at a national level but is part of the Revenue Support grant that is subject to a percentage grant reductions, which in one year alone, 2015/16 is 30%.

The government assessed in 2012/13 the Council's spend on supporting schools as £2.6m. As schools convert to academies, Council funding will continue to reduce and the balance on this funding will form part of the Local Authority Central Spending Equivalent Grant (LACSEG).

The 2011/12 Council Tax Freeze grant has been rolled into Revenue Support Grant (RSG), the Council Tax Freeze grant for 2013/14 will continue and will be rolled into (RSG) in 2014/15. For the purpose of the plan it is assumed that the Council Tax Freeze grant will be accepted in 2014/15 and 2015/16.

For the purposes of this plan it has been assumed that the section 256 funding from the NHS will continue through to 2014/15. This funding must be paid to Council's from the NHS and spent on Adult Social Care and providing health benefits. However from 2015/16 this funding will form part of the pooled health and social care "Better Care Fund".

Income Assumption – Council Tax

Council Tax income is dependent upon a number of elements in the Council tax base calculations, namely the number and mix of dwellings; changes in discounts and exemptions, impact of Council tax Support Scheme, the level of Council Tax and the assumed level of in-year collection.

For 2013/14 there was a small increase in the tax base, the Council Tax remained at the same level as the previous year (£1,261.17) due to the application of the council tax freeze grant, and the in-year collection rate was assumed to continue to be 96.5%. The tax base was significantly affected by the impact of Council tax Support Scheme. As the Council is still in the first year of the scheme the full impact on the value of support given income and collectability of income is still being understood.

In terms of growth in the tax base, a minimal increase in the base is expected of 0.25% across all years of the plan.

Where Councils have been able to collect outstanding council tax in a following year(s), this income falls into the Collection Fund and is applied as part of the council's overall income in the following financial year following collection. In 2014/15 and 2015/16 £0.7m will be applied from the fund i.e. the collection fund surplus.

The final determinant for external income is the level of Council Tax. In 2013/14 the Council set at rate of £1,261.17 per Band D property which has been held since 2011/12. In exchange for a nil increase the Council gets a grant equal to a 1% rise.

The 2011/12 Council Tax Freeze grant has been rolled into Revenue Support Grant (RSG), the Council Tax Freeze grant for 2013/14 will continue and be rolled into (RSG) from 2015/16. (The grant for 2012/13 was for one year only).

The MTRP makes an assumption that the Council will accept any 2014/15 and 2015/16 Council Tax Freeze Grant therefore the council tax increase will be 0%. Members are advised that if a similar grant of 1% (or £0.6m) is offered by the government in 2014/15 and 2015/16 and accepted both amounts may have to be reversed in 2016/17 resulting in an additional budget pressure. In addition there is the potential impact of any council tax increase foregone

from accepting the Council Tax Freeze grant, which would have been built into the Council's base budget if a council tax increase had been made.

In addition the, government announces on an annual basis the Council Tax rise referendum threshold. For 2013/14 this was 2% and is not expected to change for 2014/15. This means if a local authority wants to raise council tax by more than 2%, local residents would have the right to keep council tax bills down through a binding referendum veto. For planning purposes the MTRP assumes that the Council will accept the Council Tax Freeze grant for 2014/15 and 2015/16, then increase council tax by 2% in 2016/17 and future years. This is, in the short term, below predicted rates of inflation and in the long term equal to the Bank of England target rate for inflation. In addition this is equal to Central Governments referendum limit for 2013/14.

For planning purposes the assumed council tax levels and tax base is shown in the table below.

	2014 /15 Estimate	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Council Tax Base	41,713	41,818	41,818	41,818
Council Tax Level (Band D)	£1,261.17	£1,261.17	£1,286.39	£1,312.12
Council Tax Income	£52.608m	£52.739m	£53.794m	£54.870m

Table last updated 18th December 2013

Business Rate Income

With the introduction of the (part) localisation of business rates and the new homes bonus grant as a central government funding distribution method to Councils replacing, in part, the previous needs led funding assessment there is a clear incentive to Councils to support both residential and business growth in their areas to access funding. This link needs to be clear in all financial planning.

The Council retains 49% of changes in business rate income (up and down). The Council will benefit from any growth in the overall rateable value of all the businesses in the bay both from the annual RPI linked to changes in the multiplier or from growth in the number of businesses. Conversely the Council will have reduced funding from any decline in business numbers, higher level of exemptions given and the impact of any downward revaluations. The Council is not only liable for 49% of the cost of any revaluations after April 2013, the start of the scheme, but also 49% of the cost of any appeal that was submitted but not resolved before that date. The value of this liability for back dated appeals will be the result of any appeals awarded by the Valuation office. It is hard to estimate what this figure could be, however the Council's latest view is that this liability could be £3m.

Current year monitoring shows negative growth in NNDR and this lack of growth has been reflected over the period of the plan.

The Council will remain part of the Devon wide Business Rate pool which has a financial benefit of approximately £0.3m per annum to the Council.

If central government changes any aspect of the NNDR system, by changing reliefs or capping inflationary increases, then the impact of these changes on Council NNDR income will be met by central government providing a "New Burdens" Grant.

New Homes Bonus

This is an incentive driven (new homes) grant that is expected to be £2m in 2014/15. However as the funding for this distribution is not "new money" but money recycled from reducing Revenue Support grant paid to Councils, it is a clear risk to the Council that unless its rates of growth and therefore "reward" is greater than the funding being withdrawn the Council will have future budget pressures.

Fees and Charges

The Council receives in excess of £22m from fees and charges and other sources of income. Some charges are set by legislation (e.g. licensing charges) whereas others the Council have discretion to determine the charge. Services are required to set their charges in accordance with the Council's Income Strategy which sets the criteria that need to be considered when setting charges.

No assumptions have been made with respect to fees and charges within the figures included as part of the Medium Term Resource Plan. However, Service Managers will be expected to develop these in line with the Strategy and will need to consider all options for income generation in the context of the challenging financial period facing the Council whilst taking into account issues of subsidies to encourage usage and the impact of charges upon residents and their ability to pay in these difficult economic times.

6. EXPENDITURE PRESSURES

The 2013/14 budget approved by Council in February 2013 provides the base position of the financial strategy. To some extent the estimation of expenditure pressures facing the Council are assessable. The starting point is clearly the 2013/14 base budget from which projections can be made using known or estimated data.

The starting figure for the plan is the 2013/14 budget and that the services provided in that figure will continue at the same level and performance. In addition to this there are certain key assumptions which have been applied and these are:

- (a) Pay inflation: An assumption of a 1% rise is made for 2014/15 for staff in line with Government expectation followed by rises of 1% in each of the following years.
- (b) Increments. These are gradually being reduced over the period of the plan to reflect the impact that job evaluation will have on pay and grade structures. 2014/15 is the final year and £0.2m has been included.
- (c) General inflation: Inflation is a routine and unavoidable cost pressure for Torbay and is part of the Council's budgetary process. A unique inflationary factor is applied to over 40 individual items of expenditure where the cost increase is highly likely such as contractual inflation and for energy costs such as electricity and gas. For 2014/15 £2.1m has been included.
- (d) Revenue Impact of Council decisions: Where Council has taken a decision that will impact on future revenue budgets this is included. The significant example of this is the decision to provide £20m towards the South Devon Link Road due to be operational by 2016/17. At present only funding to support £6m has been identified therefore the borrowing and repayment costs of the remained £14m, (worst case assuming no capital contributions), will be an ongoing revenue pressure of £0.9m per annum from 2016/17.
- (e) The impact of the actuarial review of the employer's pension contribution from April 2013. The rate for 2014/15 that the actuary has advised the Council is 18.6% an increase of 1.6% from the current 17% rate. The 1.8% is the net of a 2.7% increase due to declining staff numbers to fund the past deficit, less staff due to outsourcing such as EDC and TOR2, academy school transfers and ongoing budget reductions and a 1.1% decrease due to reform of the scheme from April 2014 which is expected to reduce the overall liabilities in the scheme, by a reduction in staff pension benefits.
- (f) Changes in employment and employment taxes. The Council is facing auto enrolment in pension schemes during 2014 and from April 2016 a pension related 3.5% change in employer national insurance contribution rates

Service Pressures

All local authorities are faced with making a number of difficult decisions in the face of some of the largest cuts to local government grant within a generation. Whilst the Council will attempt to minimise the impact of funding cuts upon local services through innovative methods of service delivery and maximising efficiency where possible, the expected reduction in future

grant funding cannot be managed without significant reductions to service levels and changes in the way services are delivered.

A summary of some of the service pressures which the Council will still be faced with and emerging pressures that may arise once the full impact of the cuts to public expenditure are realised are listed below.

Pressures arising from 2013/14:

- The continuing extreme financial impact of service pressures within Childrens Services due to increasing numbers and complexity of cases. The number of Children Looked After has increased steadily from 199 at November 2010 to 299 at the end of September 2013. In addition to the £2m extra funds provided in the 2013/14 budget for safeguarding, this service is expected to overspend by a further £4m in 2013/14. An overspend of this level is unsustainable and the Council will have to make budget reductions to other services elsewhere, above and beyond those required by reductions on central government funding to continue to provide this level of service.
- The Council has seen an ongoing reduction in its income levels, in particular within car parking and other income linked to the economy such as planning income. These pressures are expected to continue in the short term but linked to the state of the economy however there should be a reversal of the trend in the medium term.
- The pressure within the Bay for affordable homes and the impact of public sector reductions on increased demands within the housing service and increased demands for social housing.
- Welfare reform proposals including a reduction in local housing allowance rates to claimants, shared accommodation rates increased from under 25s to under 35s and a Benefit Cap threshold.

Demographics

As well as the anticipated reduction in funding, the Council's budget is also being squeezed from the other direction with a continuing increase in the number of vulnerable people accessing Council services, notably within Adult Social Care and Children's services.

Information on the Council's demographic is available on the Council website. Some headline statistics include:

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

Indicator	Torbay	South West	England & Wales
Population	131,000	-	-
Households	59,000	-	-
Population over 65+	23.6%	16.5%	19.6%
Population over 50+	44.5%	36.0%	37.7%
Working Age in Work	69.4%	76.4%	70.1%
Benefit Claimants	19.6%	12.3%	14.7%

Source – Torbay Facts & Figures – July 2012

Torbay has a higher-than-average elderly population and it is expected that this will grow significantly over the next twenty years. In addition to the pressure on Adult Social Care there will also be general growth in population. It is anticipate that the local population will grow by over 1,000, (300 households), per annum with a consequent pressure on services (e.g. housing, benefits, education, community facilities, and transport).

Provision has been made in the plan for 2015/16 onwards for demographic growth of £2.5m per annum but this will be under significant pressure to resource within ongoing efficiencies and changes to service delivery.

Changes to Council Functions and Initiatives

There are a number of changes in local government functions that will be included in the Council's financial planning. A number of significant changes are listed below. Most of these came into effect in 2013/14 but will impact the 2014/15 and future year budget setting process.

Change in Functions	Description	Timing
Academy Schools	Transfer of schools	April 2011 ongoing
Housing Benefit	Transfer to Universal Credit	April 2014 to March 2017
Council Tax Support Scheme	New scheme replacing Council Tax Benefit	April 2013 ongoing
Medical Examiners' Death Certification	New Council responsibility	Expected during 2014/15

In addition there are a number of initiatives being implemented by the Council which will also be included in the Council's financial planning. A number of significant changes are listed below.

Initiative	Description	Timing
Waste Reduction	Energy From Waste Scheme	November 2014
Adult Social Care	"Acquisition" process for Provider Trust	April 2014
Community Development Trust	New body to co ordinate voluntary sector	2013/14
Early Intervention	Local Integrated Services Trust	2014/15
Youth Trust (potential)	New body to provide and co ordinate youth services	2014/15
Integrated Transformation Fund	Pooling of resources with health and social care body	2015/16
Local Enterprise Partnership	Pooling of resources with regional body	2015/16

7 CAPITAL, ASSET MANAGEMENT AND TREASURY MANAGEMENT

The Council's Capital Investment Plan, Capital Strategy, Asset Management Plan and the Treasury Management Strategy are also key financial planning documents and should be read in conjunction with this Plan. These documents are available on the Council's website at <http://www.torbay.gov.uk/financialservices> and the links to the individual reports relating to 2013/14 presented to Council in February 2013 are below:

Capital Investment Plan

<http://www.torbay.gov.uk/DemocraticServices/documents/s12125/Appendix%2011a%20Capital%20Investment%20Plan.pdf>

Treasury Management Strategy

<http://www.torbay.gov.uk/DemocraticServices/documents/s12119/Appendix%206%20Treasury%20Management%20Plan.pdf>

Capital Strategy

<http://www.torbay.gov.uk/DemocraticServices/documents/s12117/Appendix%204%20Capital%20Strategy%202012.pdf>

Asset Management Plan

<http://www.torbay.gov.uk/DemocraticServices/documents/s12118/Appendix%205%20Asset%20Management%20Plan0113.pdf>

There is a direct relationship between the Council's capital and treasury management and the revenue budget – by the minimum revenue provision (for repayment of borrowing), interest costs, interest receipts and the ongoing revenue implications of capital projects either operational or financing.

Capital Investment Plan

The 4 year Capital Investment Plan was approved by Council in February 2012 and the latest position is updated for Members on a quarterly basis. In addition Council will receive and approve the Capital Strategy and Asset Management Plan which may have an impact on the programme on the revenue budget.

The Plan also includes a potential £20m expenditure on the South Devon Link Road to be funded primarily from prudential borrowing which will be a pressure on future year revenue budgets after the Road is operational.

The impact upon reductions to capital funding is reflected within the Council's Capital Investment Plan, an extract is shown below of the revised 4 year Capital Investment Plan based on approval schemes.

Revised 4 year Plan July 2013	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Planned Capital Expenditure	27,310	18,421	9,498	4,699	59,928
Planned Capital Funding:-					
Supported Borrowing	800	0	0	0	800
Unsupported Borrowing	10,115	8,748	8,899	4,699	32,461
Grants	14,199	6,730	95	0	21,024
Contributions	852	63	0	0	915
Reserves	702	661	0	0	1,363
Revenue	250	200	225	0	675
Capital Receipts	392	2,019	279	0	2,690
Total Funding	27,310	18,421	9,498	4,699	59,928

The plan is dependent on a number of funding streams – such as government grants, capital receipt and capital contributions such as the community infrastructure levy. Currently there is increasing uncertainty over the level of government grant particularly in 2015/16 where a number of Council capital grants may be pooled with other organisations. In addition the Council is not expected to adopt a local plan until 2014 so the Council will not receive any Community Infrastructure Levy until 2015.

Treasury Management Strategy

Council approves an annual Treasury Management Strategy. This plan is significantly influenced by the council's approved capital expenditure plan particularly in relation to the timing of spend and the level of prudential borrowing approved that is required to be financed. The Strategy includes estimates for interest rates which will impact on the Councils' investment income and interest payable budgets.

In relation to Treasury Management a key factor is level of council borrowing compared to need over the medium term and its underlying need to borrow which is reflected in its capital financing requirement (CFR). In the medium term the level of Council borrowing should not exceed its CFR. Borrowing levels under CFR indicate that the Council has used cash flow from other sources, such as reserves or working capital to fund capital expenditure.

	2012/13 Actual £m	2013/14 Est £m	2014/15 Est £m	2015/16 Est £m	2016/17 Est £m	2017/18 Est £m
Total Capital Financing Requirement (CFR)	136	142	146	150	150	145
Movement in CFR	-1	6	4	4	0	-5
Movement in CFR represented by:-						
Net financing need for the year - capital	4	11	9	9	5	0
Less: MRP/VRP and other financing movements	-5	-5	-5	-5	-5	-5
Movement in CFR	-1	6	4	4	0	-5

	2012/13 Actual £m	2013/14 Est £m	2014/15 Est £m	2015/16 Est £m	2016/17 Est £m	2017/18 Est £m
External Borrowing	148	138	138	138	138	134
Other Long Term Liabilities	9	9	8	8	7	7
Sub Total	157	147	146	146	145	141
Ratio of net financing costs to net revenue	7.4%	8.3%	8.5%	8.2%	8.0%	n/a
Total CFR	136	142	146	150	150	145
Borrowing (over)/under CFR	-21	-5	0	4	5	4

Table last updated 24th September 2013 - Capital Expenditure based on Quarter 1 Budget Monitoring 2013/14

7 RESERVES AND RISK

Reserves

There continues to be a considerable amount of attention and debate given to the level of reserves held by local authorities. The Coalition Government have expressed a view that all Council's could be utilising reserves on a temporary basis during this period of austerity. Members will be aware the Council annually reviews and revises the level and appropriateness of the reserves being held following recommendations from the Chief Financial Officer taken in the light of the requirements of the Local Government Act 2003 and CIPFA guidance.

As part of the budget process a review of reserves will be undertaken and will be presented to Council. As in previous years all reserves will be robustly challenged by officers to assess where monies can be released to support the financial pressures faced by the Council. However, it is essential that reserves are sufficient to meet future demands and commitments and to ensure the level of reserves takes into account the current and future risks faced by the Council. Where reserves are reduced and released these can only be used to fund one off initiatives and not ongoing commitments.

<http://www.torbay.gov.uk/DemocraticServices/documents/s12116/Appendix%203%20Review%20of%20Reserves1314.pdf>

The significant funding reductions the Council continues to face and the increased financial risks from not achieving these reductions combined with significant service pressures in Childrens social care increases the financial risk to the Council and therefore the Council should consider meeting these risks by protecting and maybe increasing its reserves. The three main pressures are:

- Financing any 2013/14 overspend that cannot be met from reductions to other services
- Financing the costs of reducing budgets, primarily the costs of staff reductions and any set up costs for revised service arrangements
- Supporting the 2014/15 and 2015/16 revenue budget if the required savings are not achieved to ensure a “robust” budget or there is a delay in realising these savings.

These three risks are significant and the Council needs to ensure it has an appropriate level of reserves.

Risks

The projected budget gap over the life of this Plan is an estimated position and is subject to change and is based upon a series of assumptions and projections which will be regularly reviewed for future years to ensure they continue to be realistic.

There is therefore a risk that the projections for the budget deficit may prove to be under-estimates – primarily due to the number of significant changes to the system for local government finance and the unknown level of cuts expected in future years. There is uncertainty as to the full impact upon the Council of changes in funding arising from the impact of Academy Funding and any changes to the other grants. To mitigate this risk, the MTRP will be regularly updated to take account of changing circumstances and new intelligence.

The main financial planning risks that will affect the projections are likely to be:

- The effect of the Local Government Resource Review on grant levels for the life of the plan
- Impact of the Business Rate Retention Scheme on Council income linked to business rate growth
- Impact of New Homes Bonus grant income linked to housing growth
- Impact of the Council Tax Reduction Scheme on Council income
- The amount of the LACSEG grant the Council will receive following the “topslicing” of Formula Grant in order to transfer funding to academies
- Inflation continues to run at a much higher rate than the rates that have been assumed, with no sign of interest rates rising to provide an offsetting income stream
- Income projections built into the budget may not be achievable due to factors outside of the council’s control e.g. a worsening economic outlook.
- On going cost of social care both childrens and adults.