



EXECUTIVE

YOU ARE REQUESTED TO ATTEND A MEETING OF THE EXECUTIVE TO BE HELD IN THE PRINCIPAL COMMITTEE ROOM, THE DEANE HOUSE, BELVEDERE ROAD, TAUNTON ON WEDNESDAY 7TH MARCH 2007 AT 18:15.

AGENDA

1. Apologies
2. Public Question Time
3. Declaration of Interests
4. Treasury Management and Investment Strategy 2007/08
Report of Principal Accountant (attached)
5. Quarter 3 Budget Monitoring Update
Report to follow
6. Increases in Building Regulation Fees
Report of Building Control Manager (attached)
7. Proposed Somerset Inward Investment Company
Report of Economic Development and Regeneration Manager (attached)
8. Proposed Allocation of 2007/08 Local Authority Business Growth Initiative Award
Report of Economic Development and Regeneration Manager (attached)

The following item is likely to be considered after the exclusion of the press and public because of the likelihood that exempt information would otherwise be disclosed relating to the Clause set out below of Schedule 12A of the Local Government Act 1972.

9. Property Services - Management Changes
Report of Head of Corporate Services (attached)(Clause 1)

G P DYKE
Member Services Manager
01 March 2007



Members of the public are welcome to attend the meeting and listen to the discussion. Lift access to the main committee room on the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is a time set aside at the beginning of the meeting to allow the public to ask questions



An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact Greg Dyke on:



Tel: 01823 356410
Fax: 01823 356329
E-Mail: g.dyke@tauntondeane.gov.uk

Website: www.tauntondeane.gov.uk (Council, Executive, Review Board & Review Panel Agenda, Reports and Minutes are available on the Website)

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 7TH MARCH 2007

REPORT OF THE PRINCIPAL ACCOUNTANT

(This matter is the responsibility of Councillor Williams, Leader of the Council)

TREASURY MANAGEMENT & INVESTMENTS STRATEGY FOR 2007/2008

EXECUTIVE SUMMARY

- Council debt at time of issue of report £18m, outstanding investments £14.8m.
- Short-term interest rates to peak by summer 07 (5.5%) and fall again to 4.5% by Dec 08.
- Long-term rates more stable at 4.25% (50yrs).
- World and UK economies and impact of inflation, fuelling concern and caution regarding future interest rate movement.
- Borrowing and debt restructuring, if undertaken, to take advantage of prevailing low long-term rates.
- Investment maturities to be extended in light of current high (relative) rates, whilst maintaining liquidity of cash.

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the treasury management and investment strategies for the financial year 2007/08.

2. INTRODUCTION

- 2.1 The Local Government Act 2003 and supporting regulations require that local authorities have 'regard to' the Prudential Code and set Prudential Indicators for a three year period to ensure that capital investment plans are affordable, prudent and sustainable. Full Council approved these at their meeting on 20 February 2007.
- 2.2 It is also a statutory requirement under Section 33 of the Local Government Finance Act 1992, for authorities to produce a balanced budget. In particular, Section 32 requires a local authority to calculate, in

its budget requirement for each financial year, the revenue costs that flow from capital financing decisions.

This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue, such as:

- Increases in interest charges due to borrowing to finance additional capital expenditure. or
- Increases in running costs, derived from the capital projects...

...are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.3 Therefore, in the context of the above, authorities are obliged to set out a treasury strategy for borrowing and to prepare an Annual Investment Strategy (section 10) (as required by Investment Guidance issued subsequent to the above Acts); this sets out the policies for managing investments and for giving priority to the security and liquidity of those investments.

2.4 The proposed strategy at this Council for 2007/08 is set out below and based on the opinion of Council treasury officers, supplemented by data, forecasts and opinions of the Councils treasury advisors, Sector Treasury Services Ltd. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- debt rescheduling;
- the investment strategy;
- any extraordinary treasury issues

3. TREASURY LIMITS FOR 2007/08 TO 2009/10

3.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

- 3.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.
- 3.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements ie leasing. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.
- 3.4 Limits in place for 2007/08 and the following two financial years are:
- Authorised Limit of £40,000,000
 - Operational Boundary of £30,000,000

The Operational Boundary reflects both current debt levels and the need to provide operational "elbow room" for short-term borrowing as the need arises. The Authorised Limit is the upper limit of external debt deemed necessary by the Authority.

4. PRUDENTIAL INDICATORS FOR 2007/08 – 2009/10

- 4.1 As identified in section 2.1 above, authorities are required to calculate and incorporate Prudential Indicators to assist in its decision making in determining the affordability, prudence and sustainability of its capital investment decisions. The indicators for 2007/08 – 2009/10 have been incorporated into a table found in Appendix A.

5. CURRENT PORTFOLIO POSITION

- 5.1 The Council's treasury portfolio position at 19/02/07 comprised:

		Principal £'m	£'m	Avg. rate %
Fixed Rate Funding	PWLB	18.014		5.55
	Other	<u>00.080</u>		6.25
TOTAL DEBT			18.094	5.55
TOTAL INVESTMENTS			14.820	5.18

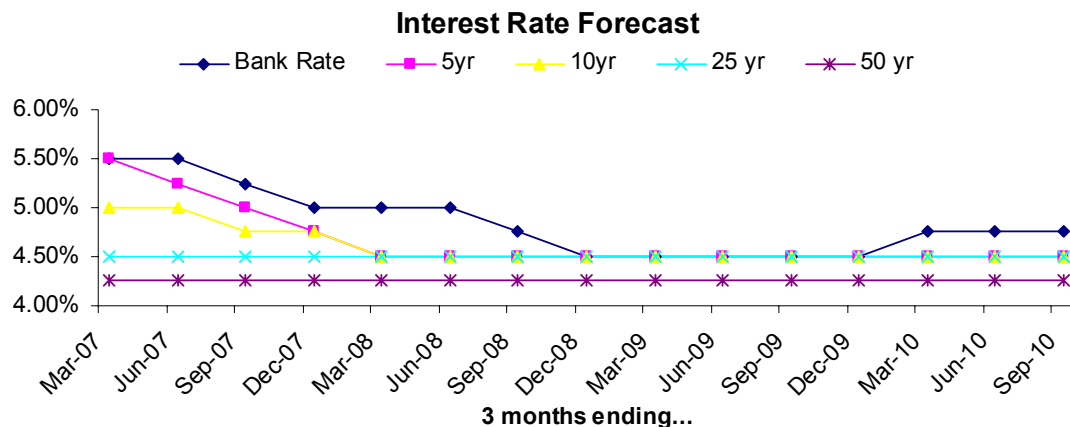
6. BORROWING REQUIREMENT

	2005/06 £'000 actual	2006/07 £'000 probable	2007/08 £'000 estimate	2008/09 £'000 estimate	2009/10 £'000 estimate
New Borrowing	794	535	550	550	550
Replacement Borrowing	1,511	9	6	6	0
TOTAL	2,305	544	556	556	550

6.1 This table reflects the expected need for ongoing long-term borrowing to fund capital expenditure, primarily for General Fund Housing Services such as Private Sector Renovation Grants. Central Government provide revenue support for this borrowing via the Revenue Support Grant formula. If this borrowing is not taken out then the Authority funds it by drawing down on the level of cash investments it holds.

7. PROSPECTS FOR INTEREST RATES

7.1 Forecasting interest rates is a highly specialised activity, requiring constant analysis of the market and economic data, as it arises across the world. Consequently, this is an area officers are reliant upon specialist consultants to provide analysis and the table below summarises the current expectations of the Councils advisors.



7.2 The above forecast takes account of the recent moves by all the worlds major economies attempts to control inflation against a backdrop of recently strong (and in some cases, still to peak) economies. In the US, where it is generally accepted that the economic cycle is ahead of the rest of the world, the assumption is that rates have peaked and thus can be assumed that the UK and other markets will also follow, albeit with a further rise first, as the 'peak' in the economic cycle reaches here.

- 7.3 As inflation is controlled and the UK and world economy slows, the pressure will be to reduce rates to reverse the negative impact that rising rates have on the economy (increases borrowing costs, stifling investment and consequential growth), thus we see a trend of lowering rates by the end of 2007.
- 7.4 The risk to this forecast is dependant upon the ability to influence inflation and in particular lower it. Therefore, much interest will be taken in the consequences of rate changes on the housing market, annual wage demand and consumer spending. The US experience has been a significant downturn in the housing market, resulting in a slide in the economy in general, as householders see their 'wealth' (in property) decrease, increasing a desire to cut spending and increase savings.
- 7.5 Although the UK housing market remains robust, avoiding a 'crash' that may stimulate a vicious circle of curbing consumer spending and economic downturn generally, which itself may fuel further, household / consumer caution, will be key to the MPC's decision making processes over the coming period.

8. BORROWING STRATEGY

- 8.1 The chart presented in 7.1 above, incorporated the rates for borrowing from 5-50 years and therefore central to the Councils strategy for borrowing to finance its capital programme.
- 8.2 It is clear that the least expensive rate of borrowing is for 50 years and this is to set to continue over the foreseeable future. Therefore, any requirement to borrow in the coming financial year will seek to time this borrowing, if and when rates fall further or, over 50 year time period, to minimise the cost to the authority.
- 8.3 No advantage can be seen in alternative borrowing currently, however, as rates would change significantly, should the UK and world economy either 'overheat' and or experience recession, alternative strategies will be considered in light of the information available at the time and reported to members in due course.

9. DEBT RESTRUCTURING

- 9.1 As discussed above, currently, the least expensive borrowing is around the 50yr time period and thus attractive to authorities wishing to restructure their debt portfolios as well as undertake new borrowing.

However, this approach is restricted by the potential penalty of premiums, that may be payable on any debt repaid in advance of its normal maturity date.

- 9.2 This Council has a portfolio of loans that currently attract premium, however, internal debt currently amounts to in excess of £3m and could demonstrate a route to revenue savings should external interest rates move favourably as expected. Consequently, monitoring of rates will continue throughout the financial year and restructuring will take place when optimum benefit can be obtained. Any restructuring undertaken will be reported to members at the earliest opportunity following the event.

10. ANNUAL INVESTMENT STRATEGY

10.1 Investment Policy

The Council applies Central Government and CIPFA guidance in its approach to managing investments with priority given over to the security of capital and liquidity of its cash flows, whilst seeking to optimise returns commensurate with these 'limitations'.

- 10.2 Achievement of target returns are made through investment instruments identified for use in the financial year and is listed in Appendix B, under 'Specified' and 'Non-Specified' Investments categories.

- 10.3 Counterparties used for these investments and the limits set to mitigate risk with each, will be as set through the Council's Treasury Management Practices document.

10.4 Investment Strategy

The Council's cash funds are managed internally and derive entirely from the flux in cash coming in and out of the Council across the financial year. Consequently, liquidity is key to effective management of these funds and no investment will be made without consideration as to the timing of its return.

- 10.5 Keeping the above in mind and the forecast of a decrease in investment rates (see Bank Rate in chart in 6.1), officers will seek to lengthen the period of investment where possible and lock into more attractive rates now, with the expectation that they will diminish in the future.

- 10.6 The average return expected for the forecast rate in 2007/08 is 5.19%; therefore, officers will use this as a trigger point to determine the decision to invest and / or the period of investment. This rate will be kept under review and revised in light of any alteration to forecast rates.

11. OTHER ISSUES

- 11.1 The treasury management and investment strategies, outlined above, have assumed the largely neutral impact of Project Taunton, as per all option appraisals undertaken to date. However, projects of this scale can have both a positive or negative impact on the timing of capital expenditure and thus cash flow. As the project stages are developed and approved any impact on the Treasury function will be assessed and strategies may have to be altered. Any impact on strategy will be reviewed as options are considered and reported to members throughout.

12. IMPACT ON CORPORATE PRIORITIES

- 12.1 Treasury Management supports the entire range of services within the Council and thus has an impact on all Corporate Priorities.

13. RECOMMENDATIONS

- 13.1 The Executive are requested to approve the proposed Treasury Management Strategies outlined in this report.

Background Papers

Executive 21/06/06 – Treasury Management Outturn 2005/06 & 2006/07 Update.

Executive 07/02/07 – General Fund Revenue Estimates 2007/08

Contact Officer: Steve Murphy,
Principal Accountant,
Tel: (01823) 331448 or Ext 2515
E-mail: s.murphy@tauntondeane.gov.uk

Appendix A

PRUDENTIAL INDICATOR	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
	out-turn	estimate	estimate	estimate	estimate
Capital Expenditure					
General Fund	£4,196,369	£3,279,910	£2,240,200	£1,725,200	£3,442,100
HRA	£4,991,450	£4,115,000	£4,907,700	£5,062,400	£5,265,400
TOTAL	£9,187,819	£7,394,910	£7,147,900	£6,787,600	£8,707,500
Ratio of financing costs to net revenue stream					
General Fund	-0.03%	-1.91%	-5.48%	-3.51%	-2.98%
HRA	5.00%	4.00%	3.93%	3.73%	3.55%
Net borrowing requirement					
brought forward 1 April	£3,959,700	£5,897,121	£6,633,630	£7,133,630	£7,633,630
Carried forward 31 March	£5,897,121	£6,633,630	£7,133,630	£7,633,630	£8,133,630
in year borrowing requirement	£1,937,421	£736,509	£500,000	£500,000	£500,000
Capital Financing Requirement as at 31 March					
General Fund	£6,400,779	£7,137,288	£7,637,288	£8,137,288	£8,637,288
HRA	£14,291,342	£14,291,342	£14,291,342	£14,291,342	£14,291,342
TOTAL	£20,692,121	£21,428,630	£21,928,630	£22,428,630	£22,928,630
Incremental impact of capital investment decisions					
Increase in council tax (band D)	£ p	£ p	£ p	£ p	£ p
	0.99	0.50	0.50	0.50	0.50
Authorised limit for external debt -					
TOTAL	£40,000,000	£40,000,000	£40,000,000	£40,000,000	£40,000,000
Operational boundary for external debt -					
TOTAL	£30,000,000	£30,000,000	£30,000,000	£30,000,000	£30,000,000
Upper limit for fixed interest rate exposure					
Net interest re fixed rate borrowing/ investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net interest re variable rate borrowing/ investments	50%	50%	50%	50%	50%
Upper limit for total principal sums invested for over 364 days (per maturity date)					
	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%

Appendix B

<u>Specified Investments</u>	<u>Credit Criteria</u>	<u>Maximum Maturity</u>
Debt Management Account Deposit Facility (DMADF)	Not applicable	1 year
Term Deposits – Local Authorities	Not applicable	1 year
Term Deposits – Banks and Building Societies	Fitch: AA - Long Term F2 – Short Term C – Individual 3 – Support	1 year
Callable Deposits – Banks and Building Societies	Fitch: AA - Long Term F2 – Short Term C – Individual 3 – Support	1 year.
Money Market Funds	AAA only	Not applicable, instant access available to all of deposit.
<u>Non-Specified Investments</u>		
Term Deposits with unrated counterparties	Top 20 Building Societies Only	2 years
Term Deposits – Local Authorities	Not applicable	2 years
Term Deposits – Banks and Building Societies	Fitch: AA - Long Term F2 – Short Term C – Individual 3 – Support	2 years

NB – all Investments are limited to a maximum amount of, the lesser of £2m or 20%, of investment portfolio, per Counterparty.

Taunton Deane Borough Council

EXECUTIVE 7TH MARCH 2007

INCREASES IN BUILDING REGULATIONS FEES

(This matter is the responsibility of Executive Councillor Bishop)

Executive Summary

Under the Building (Local Authority Charges) Regulations 1998 the Council is authorised to fix a scheme of charges to recover the cost of providing a Building Regulations service. Income from fees should be sufficient to recover the cost of providing the service when considered over a three-year accounting period (the break-even target).

Budget setting has now been completed, and a potential shortfall in income against expenditure has been identified. The Executive is asked to approve an overall increase in fees charged for the service in order to address the forecast imbalance.

1 Purpose of Report

- 1.1 To seek approval for an increase in the fees charged to persons submitting plans, giving notices and carrying out works to which the Building Regulations apply.

2 Background

- 2.1 The Building Act 1984 imposes a number of powers and duties on the authority, including enforcement of Building Regulations. These powers and duties are discharged under delegated powers by the Building Control service of the Council.
- 2.2 Building Regulations require persons carrying out building works to deposit plans with, or give notice to, the local authority. They are further required to inform the local authority at specified stages in the construction process.
- 2.3 In discharge of its duty to enforce Building Regulations, and by agreement with its insurers, the Council examines deposited plans and inspects work in progress to establish compliance, and issues certificates of conformity as appropriate.

- 2.4 Fees are charged for the process leading to the issue of certificates of compliance, and this service is consequently known as the Building Regulations Fee Earning Service (BRFES), to distinguish it from the other statutory and legal enforcement duties where the cost falls on the general fund.
- 2.5 The BRFES is cost-sensitive, in so far as the service is subject to commercial competition from private sector Approved Inspectors. However, the Charges Regulations require local authorities to set fees so as to recover the costs of providing the service, achieving at least a break-even position over time. In setting fees, therefore, the objective is to keep fees at the lowest level that will maintain a break-even trading position while still being commercially competitive.

3 Trading and Budgetary Forecasts

- 3.1 The construction industry has remained steady throughout 2006, and shows good levels of activity only slightly down on the peak recovery year of 2004, and this is reflected in the level of work passing through the section. Recent interest rate rises do not appear to have had any significant effect on activity levels so far.
- 3.2 Income levels are therefore expected to remain steady during 2007/08, barring any substantial interest rate rises.
- 3.3 Following budget setting, the portion of overhead cost which the Section is required to recover in 2007/08 is increased by 17.6% compared to 2006/07, itself a year when overhead costs increased substantially. Coupled with a 5.9% increase in staffing costs, the result is an overall 10.7% increase in forecast expenditure.
- 3.4 Income from strategic business partners of £24,000 not included in the projections reduces the anticipated shortfall to £30,000, equivalent to a 7.5% increase in fee income.

4 Proposals

- 4.1 It is proposed to increase the fees charged for Building Regulations by a sufficient amount to achieve a break-even trading position. The existing and proposed scale of fees is set out in Appendix 1 attached.
- 4.3 For a number of years following the introduction of the Charges Regulations in 1999, the Local Government Association issued Model Fee guidelines for local authorities to adopt. TDBC adopted these guidelines and followed them for as long as they were issued. Guidance ceased to be issued following 2003/04, when for most local authorities fee-setting became more closely a matter of achieving self-financing objectives.
- 4.2 In setting the revised scale of fees, consideration has been given to fees proposed to be charged by our neighbour authorities. The proposed fees

would be a little above South Somerset and Sedgemoor charges, but below Mendip, while West Somerset are expected to follow the TDDB lead.

5 Recommendation

- 5.1 The Executive is asked to agree the introduction of the new scheme of charges set out at Appendix 1 with effect from 1st April 2007.

Contact Officer B. Yates
01823 356471
b.yates@tauntondeane.gov.uk

APPENDIX 1
Proposed Scheme of Charges for Building Regulations
 (All charges shown net of VAT)

Schedule 1 charges (new dwellings)

Number of dwellings	Existing Charge £	Proposed charge £
1	500	525
2	750	800
3	975	1050
4	1175	1275
5	1350	1475
6	1500	1650
7	1650	1825
8	1800	2000
9	1950	2150
10	2100	2300
20	3410	3700
30	4535	4800
	Plus £80/dwelling thereafter	plus £80/dwelling thereafter

Schedule 2 charges (domestic extensions)

	Existing charge £	Proposed charge £
Type 1 (part re-glaze)	60	60
Type 2 (complete re-glaze)	110	120
Type 3 (small garage)	127.66	136.17
Type 4 (large garage)	234.04	255.32
Type 5 (small extension)	234.04	255.32
Type 6 (medium extension)	361.70	382.98
Type 7 (large extension)	468.09	510.64

(Note: The addition of VAT rounds the above figures to whole pounds.)

Schedule 3 (All other works)

Estimated cost £	Existing charge £	Proposed charge £
Up to 2,000	110.00	120.00
2,001 – 5,000	170.00	180.00
5,001 – 20,000	170 plus £10 per 1000 or part above 5000	180 plus £11 per 1000 or part above 5000
20,000 – 100,000	320 plus £9 per 1000 or part above 20,000	345 plus £10 per 1000 or part above 20,000
100,001 – 1,000,000	1040 plus £4 per 1000 or part above 100,000	1065 plus £5 per 1000 or part above 100,000
1,000,001 – 10,000,000	4640 plus £3 per 1000 or part above 1,000,000	5565 plus £3 per 1000 or part above 1,000,000
10,000,001 and over	31640 plus £2 per 1000 or part above 10,000,000	32565 plus £2 per 1000 or part above 10000000

**EXECUTIVE MEETING
7 MARCH 2007**

Report of the Economic Development & Regeneration Manager

**SOMERSET INWARD INVESTMENT COMPANY (SIIC)
(This matter is the responsibility of Executive Councillor N. Cavill)**

Purpose of the Report

- a) To advise members on Progress made towards establishing a Somerset Inward Investment Company.
- b) To seek approval for this Council to become a founding partner of the proposed Company
- c) To seek approval to a TDBC financial contribution to the costs of the first three years of operation of the Company in the sum of £12,500 in financial year 2007/08; £25,000 in 2008/09; and £25,000 in 2009/10
- d) To establish the principle that representation on the proposed SIIC Board of Directors should be the responsibility of the Executive Portfolio holder for Economic Development and Property.

1. Background

- 1.1. Proposals to establish a Somerset Inward Investment Company have been under discussion since November 2005. The proposed company is intended to develop a county-wide marketing presence specifically to address the mis-match between the perceptions that businesses in the South East and English Midlands (the County's primary geographic target areas) currently have of Somerset as a place to holiday, but not to do business.
- 1.2. In addition through vigorous and targeted marketing, the Company will actively work to attract new business relocations, together with supporting expansion plans for local companies and those based outside of Somerset but within the South West.
- 1.3. A specialist consultancy (Place Marketing Co) has been engaged by the County Council to work with partners to develop a business plan and a detailed business case. This was concluded in December 2006. Place Marketing, together with the Economic Leaders (sub) Group of the Somerset Strategic Partnership have developed the proposal, and have agreed to support the development of the SIIC.
- 1.4. The Company will operate as a partnership between the Local Authorities in Somerset, Business Representative Organisations, individual business stakeholders (such as Westland, Yeo Organics etc) Academic institutions and the Regional Development Agency.

- 1.5. Concerns have been expressed by the Districts that much of the 'internal to Somerset' work of the Company could duplicate or overtake that carried out by Districts. This mainly involved the work currently carried out by Districts in preparing economic data, liaising with major employers in their areas, and would be in danger of losing the local knowledge and expertise on land and property availability and in working with planning and other regulatory services to support inward investing and expanding companies.
- 1.6. Much work has been carried out by partners to establish the various roles and priorities of the SIIC and the Districts in supporting inward investing companies, and to address the concerns of Districts within the partnership. As a result SIIC will be:
- A stand alone company, limited by guarantee
 - A funding partnership with the County Council and Districts, together with contributions from the Private Sector, Academic Institutions and SERDA
 - An initial 3-year agreement, following which, assuming that SIIC has performed to expectations, funding for continuation would be approved
 - A small executive Team of a Chief Executive (£50k per annum), and two account executives (£40k per annum)
 - A separate office location, probably outside of the three main centres of Taunton, Yeovil or Bridgewater
 - A Board of Management comprising funding partners in the region of 18 persons strong.
 - A start date of 1 April 2007, with recruitment of personnel and office premises completed by 1 September 2007.

2. The Current Situation

- 2.1. Taunton Deane BC is the last of the funding partners to consider this proposal, and all other partners have approved both the principle and funding as outlined later in this paper.
- 2.2. An application for funding for £50,000 per annum for three years from SWERDA has been submitted through the RDA Somerset Team, and the outcome of this is still awaited.
- 2.3. Funding Proposals for the new company are as follows:

	£,000's		
	2007/08	2008/09	2009/10
Somerset County Council	125.0	125.0	125.0
South Somerset DC	15.0	30.0	30.0
Taunton Deane	12.5	25.0	25.0
Mendip	10.0	20.0	20.0
Sedgemoor	10.0	20.0	20.0
West Somerset	2.5	5.0	5.0
Academic Institutions	10.0	20.0	20.0
SWERDA	50.0	50.0	50.0
Private Sector Contributions	10.0	25.0	25.0

3. Continuing concerns

3.1. Concerns have been raised by our District Colleagues during discussions, and still remain to be finally resolved:

a) Issues of Governance

The Districts have expressed disquiet at proposals from the Private Sector that the Board of Management be as small as is practicable. This seems to be supported by the County Council. A concern over representation on the Board for District Funding Partners has been raised by Mendip DC.

At the most recent meeting of the Officer Working group it was agreed that :

- a Board of Management be established of all funding partners (possibly as large as 26 in number).
- This Board be tasked with the strategic overview, direction and performance of the Company, and meets quarterly.
- That in addition a small Executive Management Group be elected from the Board of Management to liaise directly with the staff group, take a day to day interest in the activities and promotional events of SIIC, and approves spending requirements when necessary.

It is recommended that TDBC representation on the SIIC Board of Directors be the responsibility of the Executive Councillor for Economic Development and Property.

b) Proposed Remuneration for the staff group

A number of Districts have expressed concern that the proposed salary levels (particularly that of the Chief Executive) has been set too low to attract a specialist, experienced practitioner who will provide the correct expertise and impetus to SIIC

There are a number of (sub) Regional Inward Investment Agencies in the UK – most of whom pay their Chief Executive in the range of £60,000-£80,000 per year. The proposed salaries for the remaining staff appear to be at the lower end of the market rate. It is envisaged that the SIIC Chief Executive position may prove attractive to a current ‘second in command’ of an existing agency. There is some concern that the proposed salary levels for this SIIC post will not be sufficient to attract applicants to Somerset, particularly if fixed term contracts, relocation and other family disruptions are taken into account.

It has been noted by the Economic Leaders Group that any increase in salary levels for the SIIC Chief Executive, because of the finite funding package, will result in a corresponding reduction in the spending (marketing) of SIIC. With this in mind, It is proposed that TDBC’s annual contribution be up-lifted from the original proposed sums of £10,000 in 2007/08 and £20,000 in the following two years to the figures indicated at paragraph 2.3 above.

4. Financial Implications

4.1. Allocation for the costs of the Council’s contribution to SIIC for each of the three years can be contained within existing budgets for Marketing established and recommended by Strategic Planning, Transportation and Economic Development Scrutiny Panel for the use of LABGI funding in 2006. It is intended to repeat this distribution of LABGI funds in future years.

5. Recommendations:

5.1. Members are recommended to

- i. Approve proposals for this Council to become a founding partner of the proposed Company
- ii. Approve a TDBC financial contribution to the costs of the first three years of operation of the Company in the sum of £12,500 in financial year 2007/08; £25,000 in 2008/09; and £25,000 in 2009/10
- iii. Establish the principle that representation on the proposed SIIC Board of Directors should be the responsibility of the Executive Portfolio holder for Economic Development and Property.

Officer Contact

Steve Kendall Economic Development and Regeneration Manager

Telephone 01823 356534

Email s.kendall@tauntondeane.gov.uk

TAUNTON DEANE BOROUGH COUNCIL

**Meeting of the EXECUTIVE
7 MARCH 2007**

LOCAL AUTHORITY BUSINESS GROWTH INITIATIVE (LABGI) AWARDS 2007/08 (This matter is the responsibility of Executive Councillor N Cavill)

Report of the Economic Development & Regeneration Manager

1. Background

- 1.1. Members will recall that in 2006/07 the Council received £138,000 in the first round of awards made by Central Government in recognition of the growth in income from business rates achieved in the previous year. The award was subject a fearsome formula, that included an element of capping, and that led to this authority receiving a smaller level of grant than most other Districts in Somerset.
- 1.2. Proposals to retain this sum within the Economic Development Portfolio were endorsed at Strategic Planning, Transportation and Economic Development Scrutiny panel in June 2006, and Cllr N Cavill authorised to proceed with allocations as set out within that report.
- 1.3. Indicative amounts for the second round award of LABGI for financial year 2007/08 has been advised by Government, and due to a change in formula this has risen to £550,000. It should be noted that the advice from Government includes a warning that some awards will be 'capped', and if this is the case, the overall level of funding available may fall slightly to keep ratios consistent throughout the process. It is felt that the level of this years' award will be closer to £500,000.

2. Proposed allocation for 2007/08

- 2.1. It is proposed that the bulk of this years' LABGI award remains in Economic Development and Regeneration, and is used to support the wide range of services that the EDU delivers, and is committed to continue to deliver in partnership with others in the County.
- 2.2. Appendix One, attached to this report, outlines the proposed allocations for this years' LABGI award. It is proposed that the allocation is distributed across five 'blocks' of activity as follows:

a) Partnership Projects	£172,500
b) Economic Development projects	£140,000
c) Deprivation Area Projects	£ 80,000
d) Consultancy Projects	£ 20,000

e) Landbank Fund		<u>£ 87,500</u>
	Total	£500,000

Appendix One goes on to outline the individual project proposals in each of the 'blocks' of activity. It can be seen that, if approved, proposals for Economic Development & Regeneration expenditure total some £500,000. Subject to the level of 'capping' of the award imposed by Government it is estimated that if the final level of award is £550,000, a further £50,000 would be available for investment in the proposed Landbank Fund. Should the level of capping turn out to be greater, then it is proposed that the Landbank Fund be reduced accordingly.

- 2.3. Government advises that LABGI can be utilised for both capital and revenue items, and that while it would encourage Authorities to utilise the award to further develop its' economic development activity, the funding can be used on non ED expenditure.

3 Financial Implications

- 3.1. In 2006/07 financial year a 'reserve' account was been set up within Economic Development budgets. It is proposed that this will be repeated in order to manage the award in 2007/08. It is anticipated that Government will require annual reports on the activity carried out using LABGI monies. The Economic Development Unit will review and monitor activity.
- 3.2. Individual approvals to expenditure within the proposed allocation will be subject to either Member Decision of the portfolio holder for Economic Development, Regeneration & Property, or by specific recommendation to future meetings of the Executive

4. Recommendations

- 4.1. Members are recommended to approve:
- a) Proposals to allocate the 2007/08 LABGI Award as set out in Appendix One attached to this report
 - b) Proposals for individual approval for project expenditure as outlined at paragraph 3.2.

Officer Contact:

Steve Kendall – Economic Development & Regeneration Manager

Tel: 01823 356534

E-mail: s.kendall@tauntondeane.gov.uk

**APPENDIX ONE:
PROPOSED LABGI ALLOCATIONS 2007/08**

1. The award from Government to TDBC for 2007/08 is currently indicated at £550,000. However, there is a possibility that due to final amendments to the formula for each District, it is felt to be appropriate to allocate £500,000, as this is the likely amount were the Government to introduce a 'cap' in the process.
2. It is proposed to distribute the LABGI allocation into five 'blocks of activity'. These are:
 - a) Partnership projects within Economic Development & Regeneration
 - b) Economic Development Projects
 - c) Deprived Area Initiatives
 - d) Consultancy Projects
 - e) Potential Land and Buildings Fund
3. Each of these blocks will be themselves subdivided into specific projects as follows:

a) Partnership Projects

The Economic Development Unit has been working closely with a wide range of organisations to either influence County-wide partnership initiatives, or to develop local Deane wide partnerships to help deliver a wide economic development and regeneration agenda. In particular, a number of existing initiatives require continuing support

1. Wellington Food Town

This proposal continues the Council's on-going support for the wide range of initiatives that are included within the Food Town label. Wellington Economic Partnership is managing the Food Town Initiative, and has successfully bid for Market & Coastal Town status for Wellington, which will bring a community partnership and a wide ranging programme of community-level initiatives alongside the business-led programme within Food Town. Funding is proposed to support a part-time co-ordinator for Food Town activities, and the costs associated with a two-day Food Fair to be held in September 2007.

Grant: £40,000

2. Somerset Inward Investment Company & Project Taunton Marketing

Proposals to establish a new, county-wide, stand-alone inward investment marketing company as Company Limited by Guarantee are well advanced. The company will operate as a partnership of the District and County Councils, together with business organisations, individual 'champion' businesses, the Regional Development Agency, Business Link and SCAT. Each organisation is required to provide an annual cash

input to the Company and TDBC's contribution for 2007/08 has been negotiated at £12,500.

In addition, as Project Taunton commissioned studies reach fruition, there is a need to provide a funding stream for these contracted costs, which are not accounted for in the 'normal' Project Taunton Budgets. It is estimated that these contracts will amount to some £60,000 in 2007/08.

Grant: £72,500

3. Town Centre Business Improvement District Support

In 2006/07 the Council approved a grant of £20,000 from LABGI funding to Taunton Town Centre Management Company to support the work of designing and developing a formal application for BID status from Government. The process has so far included consultation with town centre businesses and is now moving into the development of a business plan, a formal vote by the business community, and a decision from Government in August/September 2007.

If approved the BID will outline a range of additional services, such as increased marketing, improved street cleaning, signage and street scenery that the product of a 1% additional rates levy will purchase.

The Council has also supported work carried out by the Town Centre Company through providing staff time and liaison between Departments. SWERDA has also 'matched' the Council's funding with £35,000 for 2006/7 and 2007/08 to enable the TTCM Co to employ a dedicated administrative and support worker for the BID process.

In recognition of the exceptional costs of producing quality literature and marketing message to sell the BID to potential member companies and to cover the initial costs of a 1% levy on Council owned property in the BID area it is proposed that a grant of £35,000 be made.

Grant £35,000

4. Visit Somerset Destination Management Organisation

TDBC has been working in partnership with our District and County colleagues responsible for Tourism marketing and development to develop the Destination Management System. This system, which is due to be rolled out in September 2007 will allow all tourism businesses e-access to booking and marketing that currently does not exist.

Government, through the RDA and Visit South West are encouraging the partnership to enter the next steps in this process – the development of a single, coherent Destination Management Organisation. This envisages a significant increase in collaborative working between the current Tourism Officers and the establishment of a single county-wide marketing organisation to ensure maximum impact for Somerset's' tourism marketing.

Consultants have been contracted to examine both the process and funding for such an organisation, and their report is due to be published in late spring 2007. A detailed report will be brought to SPTED Panel at the appropriate time.

There is a need for this Council to continue to support the work of the consultants, and it is proposed that a sum of £10,000 be allocated to cover any additional costs that might arise during the later stages of the study.

Grant: £ 10,000

5. Creative Industries Development Agency/Business Boost

Support for the Creative Industries Sector is at the heart of the revised Economic Development Strategy considered by SPTED in December 2006.

The Council is currently assessing the best way to offer support to the sector over and above that provided through the County-wide Creative Boost Project, which is a partnership initiative to promote new business opportunities for creative companies, and which is based at the Brewhouse Theatre.

The Council has agreed to an annual contribution of £15,000 towards the costs of Creative Boost during its initial two year grant funded period. This allocation reflects that costs.

Grant: £15,000

**PROPOSED PARTNERSHIP PROJECTS
BLOCK ALLOCATION: £ 172,500**

b) Economic Development Projects

LABGI offers the opportunity for the Council to enhance its level of work on specific projects and initiatives. Our proposals to further improve these services are shown below:

1. Business Support Grant and Acorn Grants

The Council has for some years now operated a Business Support Grant Scheme that is available to businesses seeking to enhance their business through improved and specific marketing, investment in e-trading capacity etc. Currently some 20 businesses per year are assisted with grants of up to £2,000 each, and demand remains high.

In addition the Council offers up to £500 for new-start businesses that can demonstrate a solid business plan and a new or innovative product or service.

The Council works closely with Business Link Somerset, who advise individual applicant companies, and run a range of 'business workshops' for applicants prior to their completing the applications for grants.

It is proposed that a further £10,000 be allocated to the Scheme to enable creative industry sector businesses to be supported more directly.

Grant: £10,000

2. Inward Investment Support & Aftercare

As part of the proposals for the establishment of the Somerset Inward Investment Company, it is recognised that District ED Units will need to improve their levels of liaison with local businesses, technology employed, and local land and property information in order to carry out a professional aftercare and support service to supplement the work of the Inward Investment Company. Proposals to improve marketing and information materials for TDBC are already in hand, and further work to improve and make more users friendly the Council web-based ED information is urgently needed. It is proposed that a sum of £35,000 is allocated for this purpose.

Grant: £35,000

3. Creative Industry Sector Support Grants

The Creative Business Sector is under-developed in Taunton Deane. It is proposed that an allocation be made to enable provision of infrastructure to support the sector, such as wi-fi connectivity and broadband capacity – particularly in the rural areas, and to help develop a series of ‘creative nodes’ within the Deane that enable a number of small creative sector businesses to operate, collaborate and develop their services.

This sector is also a prime target for the Inward Investment Company, as many small, but fast growing technology-based creative companies are actively seeking to relocate to a more family friendly location from Birmingham and the West Midlands, the South East and the M4 Corridor. It is proposed that an allocation of £50,000 be made to support this work.

Grant: £50,000

4. Rural Business Support

The EDU carries out significant levels of work alongside the farming communities in the Deane, encouraging diversification and improved knowledge and skills. Many farmers are rising to the challenge of business diversification and development, such as Wallace’s on the Blackdown Hills, who recently expanded their activities to include a significant display area within both North & South sides of the Taunton Deane Services on the M5, of ‘Taunton Vale Quality Products’ from a range of local suppliers.

In addition there are a number of Regional Business fairs planned to be held in Taunton Deane during 2007, and this allocation will enable the Council to support these promotional and collaborative business events. It is proposed that an allocation of £15,000 be made to enable this work.

Grant: £15,000

5. Tourist Information Centre Development

In 2005 Taunton TIC was transferred from County Council control to that of TDBC. Since that time the TIC staff have consistently won annual awards for levels of growth achieved in ticket sales and customer service. In addition the TIC has been encouraged to move towards greater levels of income generation in order to reduce the level of 'subsidy' provided by the Council. For further improvements to be achieved, increased levels of investment in the service are required, both in the fabric of the insides of the building currently occupied, and in equipment and technology levels. It is proposed that £30,000 be allocated towards this.

Grant £30,000

PROPOSED ECONOMIC DEVELOPMENT PROCTS BLOCK ALLOCATION: £140,000

c) Deprivation Area Projects Fund

There are six Super-Output Areas (SOA's) in Taunton Deane that demonstrate levels of multiple deprivations within the top one-third in all England. Four of these are within Taunton Town, in Lyngford, Halcon and Priorswood Wards. Further, but less severe areas of multiple deprivations also sit within North Wellington and East Wellington Wards. It is a priority for this Council to address the issues surrounding deprivation, and to seek to take these SOA's out of the top one-third in England by 2015.

There are a number of initiatives that the EDU is currently supporting, and the provision of additional LABGI funding will enhance this work, and enable communities within our 'inner Towns Wards' to develop, manage and deliver projects and activity that will seek to improve community cohesiveness, skills levels within the local workforce and community, and promote community entrepreneurialism. These projects are:

1. Taunton Deane Young Enterprise Primary Programme

The YE Primary programme was enthusiastically supported by members when proposals to enrol 21 primary schools across the Borough were introduced to members in September 2006. The scheme has progressed well, and to date 18 schools have agreed to take part in the programme out of a target of 21 in year one of the three year programme.

This proposal seeks to establish a fund in reserves to enable years two and three to be completed at a cost of £5,000 per year.

Grant £10,000

2. Taunton East Development Trust

The Council has been supporting TEDT for a number of years, and as a result of increased focus over the past 12 months significant progress has

been achieved towards a revitalised Trust with a credible business plan. Details of this will be reported to SPTED later in the year.

Much of the Trusts' immediate funding needs were to be found from the Housing Tenant Participation budget, but this is unable to provide support in 2007/08. The EDU is continuing to work closely with the Trust Board to ensure that where possible self-sufficiency is achieved within three years, but there is a need for continuing support for the period 2007/08 and 2008/9 at a level of £15,000 per year. It is proposed that a reserve revenue budget be established to allow this two-year funding to be provided.

Grant: £30,000

3. North Taunton Partnership

The Council has been working in a similar capacity over the past 12 months with the North Taunton Partnership, and is currently engaged in work with the Partnership Board to enable NTP to become an information and support hub for the communities of Priorswood and Lyngford.

NTP has recently recruited a Centre Manager for the Priorswood Centre, and the Board is actively considering a number of individual projects that will take them closer to their aim. It is proposed that, in order to maintain the current level of service provision from the Centre, and to work with the Partnership Board for a further two years to assist its development, a grant of £15,000 per year be allocated from current LABGI funds.

Grant: £30,000

4. General Projects Fund

One of the biggest constraints experienced by the community sector in general is a lack of funding, particularly funds that they can use to 'match' grant providers such as National Lottery or National Charity donations. It is proposed that a Fund of £10,000 be established for 2007/08, and managed by the Economic Development Unit to enable community-based economic initiatives and projects to apply for 'match-funding' support.

Grant: £10,000

PROPOSED ALLOCATION FOR DEPRIVED AREAS FUND BLOCK: £ 80,000

d) Consultancy Projects Fund

It has become clear over the past 12 months that to enable the wide range of activity currently carried out by the EDU to be maintained and further developed additional short-term specialist staff resources will occasionally be required. For example we have continued to employ Paul Weston on a small number of projects as a consultant following his period covering Hattie Winter's maternity leave. Much of the progress achieved with TEDT and with the emerging Tone Mill and Wiveliscombe Children's/10 Parishes Centre has been as a result of dedicated finely targeted consultancy.

It is proposed that a small allocation of £20,000 be made to enable additional resources to be contracted to support the Council's economic objectives during 2007/08.

Grant: £20,000

**PROPOSED ALLOCATION FOR CONSULTANCY PROJECTS FUND BLOCK:
£20,000**

e) Landbank Fund

Members have indicated their concern over the lack of suitable freehold land and premises to enable business growth to take place in the Deane. There is a potential for the Council to enter this market to add to the range and scope of land and premises availability and tenure in order to address the current imbalances.

It is proposed that the Council uses LABGI to develop a Landbank Fund, which will be available for intervention in the land and property market where there is a clear need. It is proposed that the balance of LABGI funding (£87,500 assuming a cap on grant levels of £500,000; or £137,500 assuming that final grant levels remain at the £550,000 as currently advised by Government). For the purposes of this paper it is assumed that the lower figure will be available.

Grant: £ 87,500

PROPOSED ALLOCATION FOR THE LANDBANK FUND BLOCK: £87,500

Steve Kendall
Manager
Economic Development, Regeneration, Creative and Tourism Services
Taunton Deane Borough Council

February 2007.