

EXECUTIVE

YOU ARE REQUESTED TO ATTEND A MEETING OF THE EXECUTIVE TO BE HELD IN THE JOHN MEIKLE ROOM, THE DEANE HOUSE, BELVEDERE ROAD, TAUNTON ON WEDNESDAY 1ST APRIL 2009 AT 18:15.

AGENDA

1. Apologies.
2. Minutes of the meetings of the Executive held on 26 February 2009 and 4 March 2009 (attached).
3. Public Question Time.
4. Declaration of Interests. To receive declarations of personal or prejudicial interests, in accordance with the Code of Conduct. The usual declarations made at meetings of the Executive are set out in the attachment.
5. Capital Strategy 2009-2012. Report of the Principal Accountant (attached). Emily Collacott/Paul Carter
6. Treasury Management and Investments Strategy for 2009/2010. Report of the Strategic Finance Officer (attached). Maggie Hammond/Paul Carter
7. Conversion of Taunton Market Site to a surface car park. Report of the Strategic Director (attached). Joy Wishlade.

Tonya Meers
Legal and Democratic Services Manager
25 March 2009

Executive Members:-

Councillor Henley (Chairman)

Councillor Brooks

Councillor Coles

Councillor Horsley

Councillor R Lees

Councillor Mullins

Councillor Prior-Sankey

Councillor Mrs Smith

Councillor A Wedderkopp



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)

Executive – 26 February 2009

Present: Councillor Henley (Chairman)
Councillors Brooks, Coles, Horsley, R Lees, Mullins, Mrs Smith and
A Wedderkopp

Officers: Penny James (Chief Executive), Joy Wishlade (Strategic Director),
Shirlene Adam (Strategic Director), Tonya Meers (Legal and
Democratic Services Manager), Ian Franklin (Project Taunton), Mark
Green (Project Taunton) and Richard Bryant (Democratic Services
Manager)

Also present: Councillors Bishop, Mrs Court-Stenning, Farbahi, Ms. Herbert,
House, McMahon, Morrell, Slattery, Mrs Whitmarsh and Williams.
Mr C Haworth of Alder King; Mr A Rothwell of Ashfords

(The meeting commenced at 6.15 pm.)

20. Apology

Councillor Prior-Sankey.

21. Minutes

The minutes of the meeting of the Executive held on 4 February 2009, copies of which had been circulated, were taken as read and were signed.

22. Declarations of Interest

The Chairman declared a personal interest as a Member of Somerset County Council. Councillors Brooks declared personal interests as a Member of Somerset County Council and as a Member of the Somerset Waste Board. Councillor Mullins also declared a personal interest as a Member of the Somerset Waste Board. Councillor Coles declared a personal interest as a Director of Southwest One. Councillor Mrs Smith declared a personal interest as an employee of Somerset County Council.

23. Growth Point Funding and Housing and Planning Delivery Grant Funding

Considered report previously circulated, concerning the Growth Point (GP) funding and Housing and Planning Delivery Grant (HPDG).

These two funding streams were used for the future development of Taunton in both the long and medium term.

The GP funding was a partnership fund with Somerset County Council and was to be used for infrastructure that supported the growth of housing and the subsequent growth in the population.

Although the HPDG was solely a Taunton Deane application, it was felt that it would be useful to consider the two spending streams as a whole.

In 2008/2009 Taunton received £2,740,000 capital and £287,000 revenue funding. Approval for using this funding was given by the Project Taunton Advisory Board and the Executive in 2008, details of which were submitted.

Reported that the Longrun Farm Flood Relief Scheme had not attracted Regional Infrastructure Funding. However, the £850,000 earmarked for the extension of the Park and Ride Scheme would be used for this purpose, as Somerset County Council had received the full funding to complete the project from another source.

The allocation for 2009/2010 was £3,300,000 capital and £301,000 revenue and for 2010/2011 the amounts allocated were £3,900,000 capital and £300,000 revenue. As this was partnership money, it was felt that the Project Taunton Advisory Board was the most appropriate body to give the partnership approval. However, as Taunton Deane was a key partner, approvals were also required from the Project Taunton Steering Group and the Executive.

As far as the HPDG was concerned, the allocation for 2008/2009 to be spent in 2009/2010 was £273,939 revenue and £119,122 capital.

There were many proposals within the current GP bid, but the proposed priorities were:-

- Firepool infrastructure to enable the Firepool development to commence even within the current economic climate;
- Completion of Castle Green and Somerset Square;
- Urban Extension Master Planning; and
- Funding of the Project Taunton Delivery Team.

The priorities for the HPDG were:-

- Funding for Planning staff to give sufficient capacity for the work preparing for the growth of Taunton;
- Further studies, such as the Planning Obligations Supplementary Planning Document and the Retail Capacity Study, to enable the future growth of Taunton;
- Funding for Taunton Deane's costs in delivering Project Taunton; and

- Urban Extension Master Planning.

A list of the spend under these activities split between GP funding and the HPDG was submitted for the information of Members.

During the discussion of this item Members expressed the wish that if there was sufficient flexibility in the use of the GP funding and the HPDG, then the improvement of High Street, Taunton towards the overall economic development of the town should be considered as a priority.

Resolved that:-

- (1) The priorities and the 2009/2010 spending plan for both the Housing and Planning Delivery Grant and Growth Points Funding be approved; and
- (2) Full Council be recommended to approve the addition to the Capital Programme of the capital elements of the spending plan.

24. **Exclusion of the Press and Public**

Resolved that the press and public be excluded from the meeting for the following item because of the likelihood that exempt information would otherwise be disclosed relating to Clause 7 of Schedule 12A to the Local Government Act, 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

25. **Selection of a Development Partner for Firepool, Taunton**

Considered report previously circulated, concerning the proposed appointment of a development partner to develop the Firepool Site in Taunton.

The Council had agreed to procure a development partner for the Firepool site in August 2006. The European Procurement Rules applied to this process.

Following legal advice, Taunton Deane had elected to use the Competitive Dialogue procedure. This route enabled the Council to identify potential solutions which met its requirements before inviting a final shortlist of candidates to submit tenders.

Tenders had been submitted and, following a thorough evaluation towards the end of last year, a development partner had been recommended (Minute No 203/2008 refers).

Reported that since then, the world-wide economic situation had remained turbulent and the selected bidder had withdrawn from the process. However, discussions had continued with the reserve bidder (details of which were submitted), and the position had been reached where it was now possible to make a further recommendation to the Executive.

Resolved that:-

- (1) the selection of the company named in the report as the preferred development partner to develop the Firepool Site in Taunton on the terms set out in the Development Agreement be approved; and
- (2) the Executive Councillor for Economic Development (Councillor Horsley), in consultation with the Chairman of the Project Taunton Steering Group (Councillor Williams) and the Strategic Director (Joy Wishlade) be authorised to approve the final Contract and exchange.

(The meeting ended at 7.31 p.m.)

Executive – 4 March 2009

Present: Councillor Henley (Chairman)
Councillors Brooks, Coles, Horsley, R Lees, Mullins, Mrs Smith,
Prior-Sankey and A Wedderkopp

Officers: Joy Wishlade (Strategic Director), Shirlene Adam (Strategic Director),
Tonya Meers (Legal and Democratic Services Manager), Debbie
Rundle (Public Relations Officer), Helen Phillips (Support
Co-ordinator), Phil Sharratt (Economic Development Manager), John
Williams (Chief Housing Officer), Adrian Priest (Asset Holdings
Manager) and Richard Bryant (Democratic Services Manager)

Also present: Councillors Cavill, Mrs Court-Stenning, Farbahi, Mrs Lewin-Harris,
Morrell, Mrs Stock-Williams, Stuart-Thorn, Mrs Whitmarsh and Mrs
Wilson.
Mr S Read, Somerset Waste Partnership and Mr R Jones and
Mrs G Sillifant, both of Southwest One

(The meeting commenced at 6.15 pm.)

26. Public Question Time

Mr Adrian Little made reference to a planning matter at a property known as Quantock Roses at West Bagborough. Planning permission had previously been granted for a new dwelling on the site and this had been granted with an agricultural tie attached. However, the dwelling which had been built was currently in occupation by someone not involved in agriculture. Mr Little also referred to a garage on the site which had been converted to residential accommodation without planning permission being obtained. This property too was occupied.

Both these matters had been brought to the attention of the Planning Department but nothing appeared to have been done to address either. He felt this was very inefficient and asked what could now be done?

Councillor Mrs Lewin-Harris added that the Council's credibility was at threat in respect of such issues.

In response, the Chairman (Councillor Henley) asked Mr Little to submit his concerns in writing and he would ensure both matters were fully investigated and a full reply sent to him. The Strategic Director, Joy Wishlade, confirmed that a meeting about Quantock Roses had taken place earlier in the day with officers as to what action could be taken and to ensure a similar situation did not occur in the future.

Councillor Morrell, as a member of the public, referred to the house on the junction of Galmington Road and Wellington Road, Taunton which had been

seriously damaged in a fire last year. He asked what stage had been reached in plans to re-build this property?

The Chief Housing Officer, John Williams, informed Members that there had been initial problems with the insurance company. However, matters were now moving ahead with tenders being sought for re-building works to be undertaken and it was hoped there would be a start on site within 6 weeks.

27. Declarations of Interest

The Chairman declared a personal interest as a Member of Somerset County Council. Councillors Brooks and Prior-Sankey declared personal interests as Members of Somerset County Council and as Members of the Somerset Waste Board. Councillor Mullins also declared a personal interest as a Member of the Somerset Waste Board. Councillor Coles declared a personal interest as a Director of Southwest One. Councillor Mrs Smith declared a personal interest as an employee of Somerset County Council.

28. A Review into How the Housing Service Tackles Anti-Social Behaviour

Submitted for information and comment, the recommendations of the Task and Finish Review into How the Housing Service tackled Anti-Social Behaviour.

The Review had been initiated principally because the number of complaints to Councillors about anti-social behaviour was on the increase. However, the Review had also set out to address the perception held by some tenants that the Council was unable to resolve complaints received because there was a lack of commitment or the powers available to it were too weak in dealing with anti-social behaviour issues.

At its first meeting, the Task and Finish Group agreed that the purpose of this Review was to examine how Taunton Deane's Housing Service dealt with anti-social behaviour, specifically with regard to clauses in its tenancy agreements. However, it was thought that the Review should go beyond this and investigate the wider role of the Housing Service in general in tackling this problem. It was also seen as a good opportunity to review the Council's tenancy agreements and to see how they worked in real life, to identify best practice and to investigate better and easier ways of reducing and tackling these incidents.

The Task and Finish Group had also agreed that its terms of reference should be to:-

- Define anti-social behaviour and nuisance and to specifically focus on the role of the Housing Service;
- Identify ways of building confidence to help residents speak out, rather than tolerate the problem;
- Consider the current legal procedures and the length of time it could take to reach an eviction; and

- Make recommendations to the Executive for consideration.

A series of meetings of the Task and Finish Group had been held and evidence had been collected from a number of sources including the Council's Chief Housing Officer, Community Safety Co-ordinator and Housing Estate Manager, Officers from Mid-Devon District Council, the Operational Manager of the Youth Offending Team, Somerset County Council, the Local Service Delivery Team Manager and Avon and Somerset Constabulary.

When the draft final recommendations of the Task and Finish Group had been considered by the Overview and Scrutiny Board on 22 January 2009, it had been agreed to recommend their acceptance to the Executive without change.

Resolved that the following recommendations of the Task and Finish Review into How the Housing Service tackled Anti-Social Behaviour, be accepted:-

Recommendation 1

The Council should sign up to the 'Respect' Standard for Housing Management as soon as possible.

Recommendation 2

A skills audit of Estate Officers be carried out to identify and meet any training needs in respect of dealing with anti-social behaviour.

Recommendation 3

There should be a close and swift working liaison between the Council's Estate Officers and its Legal Team to tackle anti-social behaviour as soon as possible.

Recommendation 4

As part of the Core Council Review, the Council should look at creating a dedicated Anti-Social Behaviour Team for Housing.

Recommendation 5

To look at the feasibility of using Introductory Tenancies. This however, may be complicated by the imminent introduction of Choice Based Lettings.

Recommendation 6

The Council should look at the usefulness and feasibility of introducing parental programmes that have been shown to impact on anti-social behaviour.

Recommendation 7

The Council should continue to publicise its successes in dealing with specific cases of anti-social behaviour in its housing stock.

29. **Proposals for a new Appendix to the existing Media Protocol covering issues relating to the new Scrutiny arrangements**

Considered report previously circulated, concerning an amendment to the

existing Media Protocol which would cover the promotion of Scrutiny outcomes particularly arising from the new arrangements for Scrutiny to be launched within the next few months.

A key aim of Scrutiny was to involve local people in scrutiny and to promote the outcomes from work of the various Groups and Panels. The existing Media Protocol did not adequately cover the scrutiny arrangements and an addition had therefore been written.

This addition had originally been supported by the Strategy and Performance Panel in February 2008, but the Executive felt unable to support the change at that time, as the Scrutiny arrangements were in a pilot phase.

The Executive did however agree that a press release could be sent out at the completion of Task and Finish Reviews and it would include quotes from the Chairman of the Task and Finish Review and the appropriate Portfolio Holder.

To enable the Council to be in a position to promote the forthcoming new Scrutiny arrangements, the original addition to the protocol had been re-written as an Appendix, a copy of which was circulated.

The aim of the Appendix to the Media Protocol, was to create acceptable ways of raising the profile of scrutiny, encourage community involvement and publicise the outcomes of the Task and Finish Reviews.

Resolved that the Appendix to the Media Protocol be approved.

30. **Into Somerset – the Somerset Inward Investment Initiative**

Submitted for consideration a copy of a report prepared by the Somerset County Council concerning Into Somerset, the Somerset inward investment initiative.

The initiative had been agreed by partners in 2006/2007 and more recent work had included a rigorous options analysis and risk assessment.

The first year financial contributions had been made by local authorities in 2007/2008. Initial delivery in 2008/2009 had been achieved by the formation of a shadow board. The delivery of the inward investment business plan for the first year of Into Somerset was proceeding through a Service Level Agreement with the Somerset Chamber of Commerce and Industry.

The headline outputs delivered and outcomes achieved for the initial year had been:-

- Market research identifying target geographic areas, demographic groups and key sectors;
- A perceptions study identifying the unique strengths of Somerset as a business location and key messages for marketing campaigns;
- Development of the Somerset brand for a business market;

- Development and launch of the website www.intosomerset.com;
- Initial marketing and promotions plan and materials;
- Comprehensive marketing plan for 2009/2012;
- Briefing to local businesses at local events and Somerset in Business Conference;
- Secured private sector contributions in terms of secondment, pro bono support and ambassadorial roles;
- Enquiry handling protocol developed, agreed and implemented; and
- Improved joint working with the South West Regional Development Agency, UK Trade and Investment and PERA in promoting Somerset for foreign direct investment and joint ventures.

The advantages of a joint delivery vehicle had been recognised through the process of the initial delivery arrangement and the partnership of local authorities working together. However, the process of reviewing the options and risks rigorously had proved to be more complicated than originally envisaged and the original business plan had required reconfiguration.

The options considered were:-

- An informal shared service;
- A local authorities controlled company limited by guarantee with suitably skilled dedicated staff directly recruited or procured through contract with appropriate organisation;
- Direct contract with a third party agency; and
- A local authority partnership.

The preferred option of officers, was the local authorities controlled company limited by guarantee.

Reported that it had since been agreed with partners that Taunton Deane would not be a founding member of such a company.

However, Taunton Deane remained fully committed to the need to market Somerset as a 'place to do business' and to encourage inward investment activity.

As such, it was proposed that the Council would support the initiative with previously agreed funding from the Local Authority Business Growth Incentives Scheme (LABGI) grant to the sum of £20,000 per annum in each of the financial years 2009/2010 and 2010/2011, whilst exercising control of the expenditure of these funds through a Service Level Agreement.

Resolved that the continued support of the Into Somerset initiative through a Service Level Agreement be agreed.

31. **Somerset Waste Board Business Plan 2009 - 2014**

Considered report previously circulated, concerning the Business Plan of the Somerset Waste Board.

The Somerset Waste Partnership required the single client unit to prepare a Draft Business Plan with an accompanying Action Plan on an annual basis.

The Business Plan had been approved for consultation on 12 December 2008 and partners were asked to comment on the Plan.

The Board could amend the Business Plan to accommodate any unforeseen circumstances and to enable them to achieve the Aims and Objectives. In addition, partners could request an amendment to the Business Plan at any time.

The Draft Business Plan was submitted and included:-

- A description and brief history of the partnership;
- Its Aims, Objectives and principal functions;
- Analysis of the operating environment;
- Links to the Corporate Objectives of the partner councils;
- Action Plan;
- Communications Action Plan; and
- Budget.

Although the Plan was for a five year period, it emphasised key actions for the next 12 months.

This was the second iteration of the Somerset Waste Partnership plan which was adopted by the Board in July 2008. This refresh had been brought forward in line with the annual timetable set out in the Constitution to align the annual cycle more closely with the budget planning cycle within the partner authorities.

Resolved that the Draft Business Plan be approved.

32. **Relocation of the Horticultural Nursery – Project Overspend**

Considered report previously circulated, concerning additional costs that had arisen from the relocation of the Council's horticultural nursery from Mount Street, Taunton to its new site off Stoke Road.

Reported that an overspend of £73,000 over the budgeted cost had been required to complete the development of the new nursery. This was due to several unforeseen factors encountered on site, including the need for improved drainage and additional works to roadways and glasshouses.

Further approval was therefore required to allow the overspend to be funded from the disposal of the Mount Street site.

The capital receipt from the disposal of this land would be sufficient to cover the costs of purchasing the land for the new nursery site, its development and also the overspend. The Council would still have a substantial surplus of capital for use on other projects.

Resolved that Full Council be recommended to approve a supplementary estimate to the Capital Programme of £73,000 - to be funded from the eventual sale proceeds of the Mount Street Nursery Site.

33. Exclusion of the Press and Public

Resolved that the press and public be excluded from the meeting for the following two items because of the likelihood that exempt information would otherwise be disclosed relating to Clause 9 of Schedule 12A to the Local Government Act, 1972 and the public interest in withholding the information outweighed the public interest in disclosing the information to the public.

34. Transfer of Taunton Deane owned land to Somerset County Council under a Compulsory Purchase Order to facilitate the construction of the Taunton Third Way Road Scheme

Considered report previously circulated, concerning the proposed transfer of Borough Council owned land to Somerset County Council to facilitate the construction of the Taunton Third Way Road Scheme.

Following the grant of planning permission for the Taunton Third Way, Somerset County Council had issued a Compulsory Purchase Order, which was yet to be confirmed by the Secretary of State for Transport, for the acquisition of a number of areas of land that are required for the scheme.

Submitted details of the areas of land required by Somerset County Council, some of which were owned by Taunton Deane.

Taunton Deane and Somerset County Council had jointly commissioned the Valuation Office Agency to provide independent valuation advice to assist negotiations between the two authorities. Valuers acting on behalf of the two Councils had endorsed the contents of Valuation Office Agency's report and the conclusions made.

Resolved that:-

(1) Following the confirmation of The County of Somerset (Taunton Third

Way) Compulsory Purchase Order 2008 by the Secretary of State for Transport, the transfer of the Taunton Deane owned land required for the Taunton Third Way Road Scheme to Somerset County Council be approved on the terms and conditions outlined in the report; and

- (2) The contents of the Valuation Report prepared by the Valuation Office Agency and the conclusions made, be agreed.

35. Former Nursery Site at Mount Street, Taunton

Considered report previously circulated, detailing the current position with regard to the site of the former nursery at Mount Street, Taunton.

Following the relocation of Taunton Deane's nursery operation to a new site at Stoke Road, Taunton, the former site at Mount Street, Taunton had become surplus to requirements and part of the site had been identified as being suitable for residential development.

A Development Feasibility Study had been carried out together with a number of site investigations and consultation with planners and architects. This had concluded that a planning application for a scheme of sheltered housing/retirement should be prepared and submitted with a view to selling part of the former nursery site.

Reported that further research and discussions with other professionals had suggested that due to the current economic climate, the Council should not proceed with the sale of land now. It was evident that a satisfactory price for the land would not be achieved without the benefit of a planning consent.

Resolved that:-

- (a) The architects named in the report be appointed by the Council to undertake the further work detailed and submit an outline planning application on behalf of the Council for a sheltered housing/retirement village scheme on part of the site. The costs attributable to the investigations already carried out and those to the further works referred to be ultimately paid for out of any capital receipt from the sale of the land;
- (b) Given the current state of the property market, any final decision as to whether the site was sold or perhaps developed in partnership with a third party be deferred until the outcome of the planning application was known; and
- (c) In the meantime, attempts be made to let the permanent buildings currently on the site or the site as a whole on a short term basis, once vacated by the Council, to obtain some revenue and assist with the security of the site. Furthermore, the surplus glass houses and any other items remaining on the site no longer required for the Council's use be sold off.

(The meeting ended at 7.41 p.m.)

Usual Declarations of Interest by Councillors

Executive

- **Members of Somerset County Council – Councillors Brooks, Henley and Prior-Sankey**
- **Employee of Somerset County Council – Councillor Mrs Smith**
- **Director of Southwest One – Councillor Coles**
- **Members of Somerset Waste Board – Councillors Brooks, Mullins and Prior-Sankey**

Taunton Deane Borough Council

Executive - 1 April 2009

Report of the Principal Accountant

Capital Strategy 2009-2012

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

1 Executive Summary

- 1.1 Attached at Appendix A is the draft Capital Strategy for 2009-2012. The Executive is invited to comment on the draft strategy before it goes on to Full Council.

2 Introduction

- 2.1 There is no statutory requirement for the Council to prepare a Capital Strategy, however in terms of setting direction for the use of the Council's capital resources the strategy is seen as a "must have" document.
- 2.2 The Capital Strategy is a summary of the Council's approach to capital investment including:-
- Our Vision,
 - The identification of needs and our needs gap,
 - The management and monitoring of the capital programme,
 - The capital programme and the level of resources available,
 - Our approach to procurement and partnership working,
 - Linkages to other corporate plans.

3 Capital Strategy 2009-2012

- 3.1 The draft Strategy for 2009-2012 is attached at Appendix A. It has been updated from last year's version by incorporating new developments being undertaken by the Council and refreshing the financial data included within the document.
- 3.2 The Strategy and Performance Panel considered the draft document at their meeting on 10 March and a verbal update on their comments will be provided at the meeting. Any suggested amendments have been incorporated into the attached draft. The Executive is requested to note the Strategy and suggest amendments as appropriate.
- 3.3 After consideration by the Executive the Strategy is programmed to go to Full Council later in the year.

4 Recommendation

- 4.1 The Executive are requested to note the attached draft Capital Strategy for 2009-2012 and to make suggestions on amendments to the content prior to submission to Full Council.

Contact Officer: Emily Collacott
Principal Accountant
Tel 01823 328862
Email e.collacott@tauntondeane.gov.uk

Taunton Deane Borough Council Capital Strategy 2009-2012

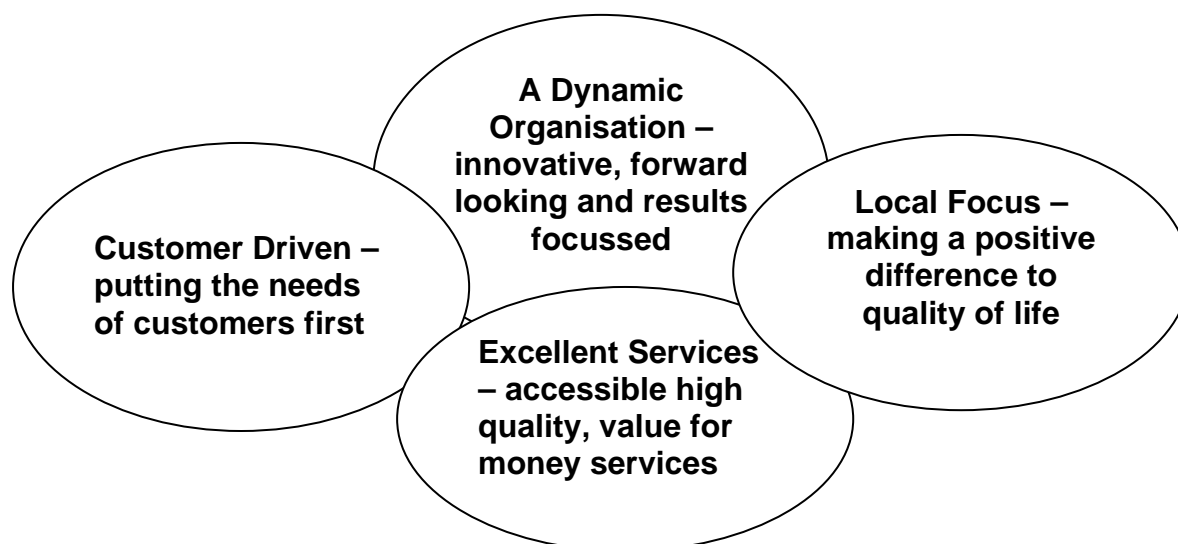
1 Content

- 1.1 This Capital Strategy demonstrates how Taunton Deane BC sets the direction of our capital spending plans and considers how we achieve the effective utilisation of our capital assets and resources.
- 1.2 The Strategy details our approach to the following areas:
- Our Vision,
 - The identification of needs and our needs gap,
 - Prioritisation of capital expenditure,
 - The management and monitoring of the capital programme,
 - How we review scheme outputs,
 - The capital programme and the level of resources available,
 - Our approach to procurement and partnership working,
 - Links to other corporate plans.

2 Our Vision

- 2.1 The Council has set out its overall vision and business principles in its Corporate Strategy 2009-2012. Our overall Vision is **“Making Life Better for People and Communities”**.

Our business principles are set out below:



- 2.2 The Council has profiled all of its services in line with its six main corporate priorities. This has enabled investment to be focussed on high priority services. Our overall priorities are:

Priority	Strategic Aims
Economy	Regenerating Taunton and strengthening the economy of the Borough
Transport	Minimising the growth in traffic congestion
Crime	Promoting safer communities and tackling anti-social behaviour
Healthy Living	Promoting healthy and sustainable communities
Environment	Safeguarding and enhancing the local environment
Delivery	Delivering accessible, value for money services

Along with the Profile of Services, these priorities have remained unaltered from 2008.

- 2.3 Below are the key actions from our Corporate Strategy 2009-2012 that show how we will use our capital resources to achieve our strategic aims. Those marked with * indicate that they are being delivered in partnership with other organisations:

Priority	Actions
Economy	<ol style="list-style-type: none"> 1. Support Project Taunton and partners to deliver the development of Firepool, starting on site in 2009. * 2. Kick start the Cultural Quarter of Project Taunton by redeveloping Castle Green, Coal Orchard and Goodlands Gardens, to include providing a new site for the County Council library and records office*. 3. Work with partners to bring forward the proposed retail development in High Street *. 4. Facilitate the development of 20 hectares of employment land in Wellington and Wiveliscombe*. 5. Secure a major business incubation centre for Taunton.*
Transport	<ol style="list-style-type: none"> 1. Implement the Taunton car parking strategy. * 2. Investigate, support and enable sustainable transport initiatives in the Borough. 3. Deliver the actions of the TDBC employees travel plan by March 2010.
Crime	<ol style="list-style-type: none"> 1. The refurbishment of derelict buildings 2. The sale of unwanted assets 3. Crime reduction measures within the Housing capital programme ie the provision of double glazing and security lighting 4. The provision of facilities for young people ie new play equipment. *
Healthy Living	<ol style="list-style-type: none"> 1. Planning gain through S106 agreements – ie the need to provide in partnership a targeted

	<p>proportion of affordable housing in the most appropriate mix and tenure*</p> <ol style="list-style-type: none"> 2. Utilise council owned sites to develop all forms of affordable housing. * 3. Pursue innovative and creative approaches to delivering all forms of affordable housing. 4. Ensure that all Council owned residential properties comply with the Decent Homes Standard by March 2011. 5. Supporting capital projects to help reduce the number of rough sleepers in the Borough*. 6. Improving both private and public sector housing conditions through an extensive capital programme of works and grants. 7. Consider all options for delivering new opportunities for public swimming in Taunton Deane including the construction of a new 25m pool in Taunton. 8. Deliver the actions identified in the Play Strategy to make provision in priority areas with a specific focus on continuing the programme of constructing new and improved play spaces. 9. Providing support to elderly people in sheltered housing and extra care housing
Environment	<ol style="list-style-type: none"> 1. Explore the options for an enhanced recycling service to include other types of waste, such as plastics and cardboard. * 2. Development of sustainable construction practices which help tackle climate change and reduce emissions. 3. Ensure that new Housing built through Housing Corporation funded schemes meet minimum of level 3 of the Code for Sustainable Housing. 4. Meet the Home Energy Conservation Act target of improving energy efficiency by 30% on housing in Taunton Deane through various housing initiatives. This includes capital investment in council housing, other social housing and where possible within the private sector. 5. To meet government targets for Crematorium mercury abatement targets through investment in new filtration equipment.
Delivery	<ol style="list-style-type: none"> 1. Development of our assets through our key partnership project, SW1* 2. Improve value for money through capital initiatives such as the relocation of the Deane DLO Nursery. 3. Implement the Access Strategy to deliver our

	<p>services where and when they are required.</p> <ol style="list-style-type: none"> 4. Develop procurement through collaboration with SW1 to achieve savings targets, better quality and cost effective services, and support our objectives around economy, sustainability and equalities. 5. Continue the Council's transformation programme to further improve efficiency.
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3 The identification of needs and our needs gap

- 3.1 The Council has found that, unsurprisingly, resources to meet our overall aspirations for the Borough and our priorities in particular cannot wholly be met by the Council alone. Therefore as part of our role as an enabler and facilitator we will look to maximise external income from sources such as the Lottery, Central Government, the South West Regional Development Agency, and from private developers via section 106 agreements and commuted sums, in order to deliver our priorities. European funding will also be accessed where appropriate.
- 3.2 An example of where bidding for external capital funding has proved successful and will aid our capital objectives is through the recent Growth Point grant award; the Council has been awarded over £10m over the period 2008/09 to 2010/11. These funds will be used to deliver the Economy strand of the Corporate strategy in particular to support the delivery of partnership schemes surrounding Project Taunton, specifically the funding of the works required for Castle Green, Somerset Square and infrastructure around the Firepool site. We have also recently been successful in bidding for additional funding to increase the level of Disabled Facilities Grants in 2009/10.
- 3.3 Similarly the Council has used its Housing/Planning Delivery Grant (HPDG) allocation to support several new capital schemes – specifically for funding new ICT improvements within our Planning and Land Charges services and some minor elements of the Project Taunton schemes.
- 3.4 In addition we will look to make the most of partnerships including the private sector. This is key for ensuring that long-term projects such as the delivery of Project Taunton have sustainable sources of capital finance. Both PFI and PPP finance will be considered should any suitable schemes be identified. We will also use the resources generated under the Government's LABGI scheme in 2009/10 to meet some of our economic development goals, for example through providing support to the Taunton Business Improvement District (BID).
- 3.5 The Council will consider the use of additional borrowing to help deliver key aspirations. However this will only be done in line with the principles of our 2008 Financial Strategy and the Prudential Code, ie

providing that such borrowing is prudent, affordable and sustainable. Where possible specific contributions from revenue will be made to fund recurring capital schemes. The Financial Strategy allows for reserves to be used for “Invest to Save” initiatives, including capital schemes.

- 3.6 Despite the downturn in the housing market, capital receipts are important for the Council, particularly Right to Buy receipts. In order to maximise the usable proportion available for capital investment the Council will, where appropriate, designate land areas for social housing purposes thereby avoiding any pooling liability. In addition a critical review of asset holdings will ensure that surplus assets are disposed of in order to free up resources, for example the existing Plant Nursery site will be disposed of, when market conditions are right for such a disposal.
- 3.7 The level of projected available capital resources is continuously reviewed by Officers via the budget process and through ongoing budget monitoring. This ensures that resources can be matched to priority schemes.
- 3.8 It is not only within the capital programme where resources are scarce; within its revenue budget the Council has a backlog of low priority maintenance items, and this amounts to over £0.5m. A key improvement required by the authority is to ensure that this backlog is managed and reduced over time, although this will not be easy given the pressures on the revenue budget. More details on this area are shown in the Asset Management Plan.

4 Prioritisation of capital expenditure

- 4.1 Effective capital prioritisation will help ensure that scarce resources are targeted towards key schemes, which will deliver our priorities.
- 4.2 For several years the Authority has used an established system to enable Corporate Management Team and the Executive to prioritise bids for new capital schemes. This system is known locally as the Project Appraisal Report (PARs) system. The purpose of the PAR is to provide comprehensive information on each new scheme, thereby enabling informed choices to be made.
- 4.3 A PAR requires the following areas to be considered:
- Project Outline and Description,
 - Category of Scheme (ie legal obligation, service necessity, service maintenance or service improvement),
 - Establishment of Need – appropriate analysis of need and rationale,
 - Fit with Corporate Priorities,
 - Fit with Service planning objectives,
 - Sustainability,

- Option appraisal – ie “do nothing”, full scheme, partial scheme, scheme provided by other agencies, scheme provided through partnership working,
- Risk identification,
- Overall project evaluation,
- Resource implications, capital and revenue, monetary and non-monetary,
- Timescale for implementation,
- Recommendations.

4.4 The Council recognises that the PAR system needs to be refreshed to reflect more modern and appropriate appraisal methods such as the routine use of whole life costing of proposed new capital schemes. This work will be carried out during 2009/10.

4.5 It is important that we do not forget the impact on the revenue budget of capital decisions, therefore the Council’s Medium Term Financial Plan for both General Fund and Housing Revenue Account services includes specific details on the likely impact of the capital programme on the revenue budget.

4.6 At present, with resources limited, priority is given to recurring schemes, which can be funded from affordable contributions from the revenue budget on an ongoing basis. For Invest to Save schemes the annual revenue savings generated through capital investment are put back into unallocated capital resources. In addition schemes that lever in external funding are also given priority.

5 The management and monitoring of the capital programme

5.1 Monitoring of the capital programme is integrated into the corporate performance management cycle and is reported to members four times a year. The Council has made significant progress in improving the monitoring of the General Fund capital programme and this has been recognised by our external auditors. Monitoring of the programme also includes project progress, spend against budget, VAT implications and the treasury management consequences of capital spending.

5.2 The process of strategic risk management is employed for high spend/risk/profile capital projects. Where applicable, multi discipline project teams are formed to manage these schemes and to report progress and risks to Corporate Management Team. Post project reviews are used to improve overall future project management techniques. Budget monitoring and the use of risk registers highlight both financial and operational risks associated with schemes.

6 How do we review scheme outputs?

6.1 The monitoring of capital investment is achieved on several levels, namely:

- The Project Board who monitor progress on a variety of corporate projects across the Council. This group has been

established in line with the principles of PRINCE2 project management.

- The Chief Financial Officer is responsible for the monitoring and management of both the capital programme and capital resources. This is done by the Financial Services Unit within Southwest One who report the outcomes to Corporate Management Team and to Members.
- Southwest One's Property function fulfils the role of the Council's Corporate Property Officer and is responsible for the monitoring and management of the Asset Management Plan,
- Individual officers are nominated as leads on each specific scheme.
- Finance staff support service department officers with budget monitoring and financial advice.

Annually the Council incorporates within its outturn reporting process how the impact of capital investment has helped with the achievement of its corporate objectives, priorities and outputs.

7 The capital programme and the level of resources available

7.1 A summary of budgeted capital spending for the period 2009/10 onwards is shown below.

Portfolio	2009/10 £000	2010/11 Onwards £000	Total £000
Corporate Resources	59	142	201
Econ. Development and the Arts	138	0	138
Environmental Services	69	355	424
Housing (HRA & GF)	7,149	19,279	26,428
Sports, Parks and Leisure	85	193	278
Planning Policy & Transportation	10	205	215
Total	7,510	20,174	27,684

7.2 At present the General Fund has unallocated capital resources of only £15k. For the Housing Revenue Account there are no unallocated resources as any resources unspent at the end of the year will be required to fund future years programmes. The Council expects to receive some significant capital receipts through the sale of surplus assets during 2009/10 but given the recent economic downturn the level and timing of these receipts is uncertain. Once confirmed the Executive will consider the use of these receipts for future investment

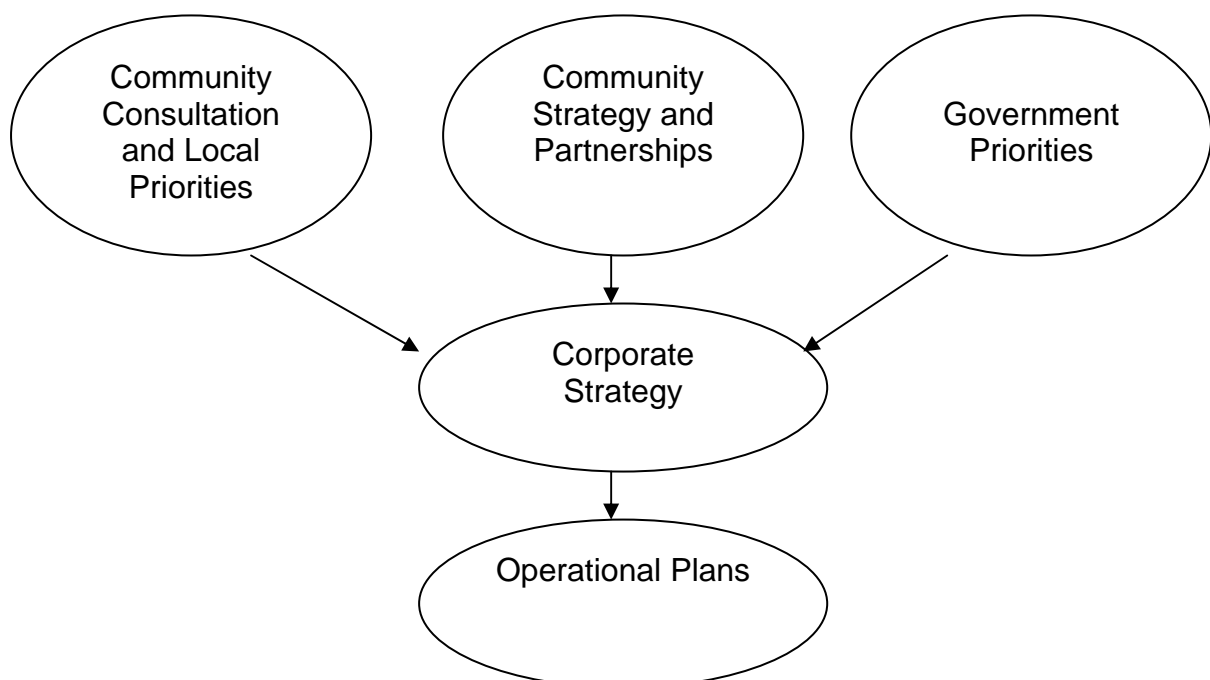
in the Borough in line with the priorities outlined in the Corporate Strategy.

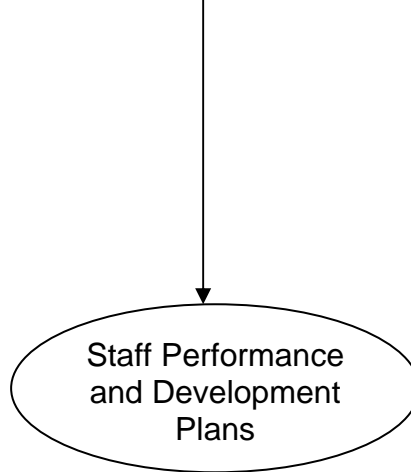
8 Our approach to procurement and partnership working

8.1 As part of our contract with Southwest One the Council is currently embarking on significant reviews of its procurement processes and contracts to ensure that maximum value is obtained from all capital contracts. This is particularly relevant for services such as Housing and the Direct Labour Organisation who are large volume purchasers of materials such as kitchens, bathrooms and windows. This will generate savings that will be reinvested in services and in new projects to help transform the Council. Significant elements of Wave 2 of the Procurement Category Plans are looking specifically at capital contracts to drive forward the benefits of improved procurement within our capital spend.

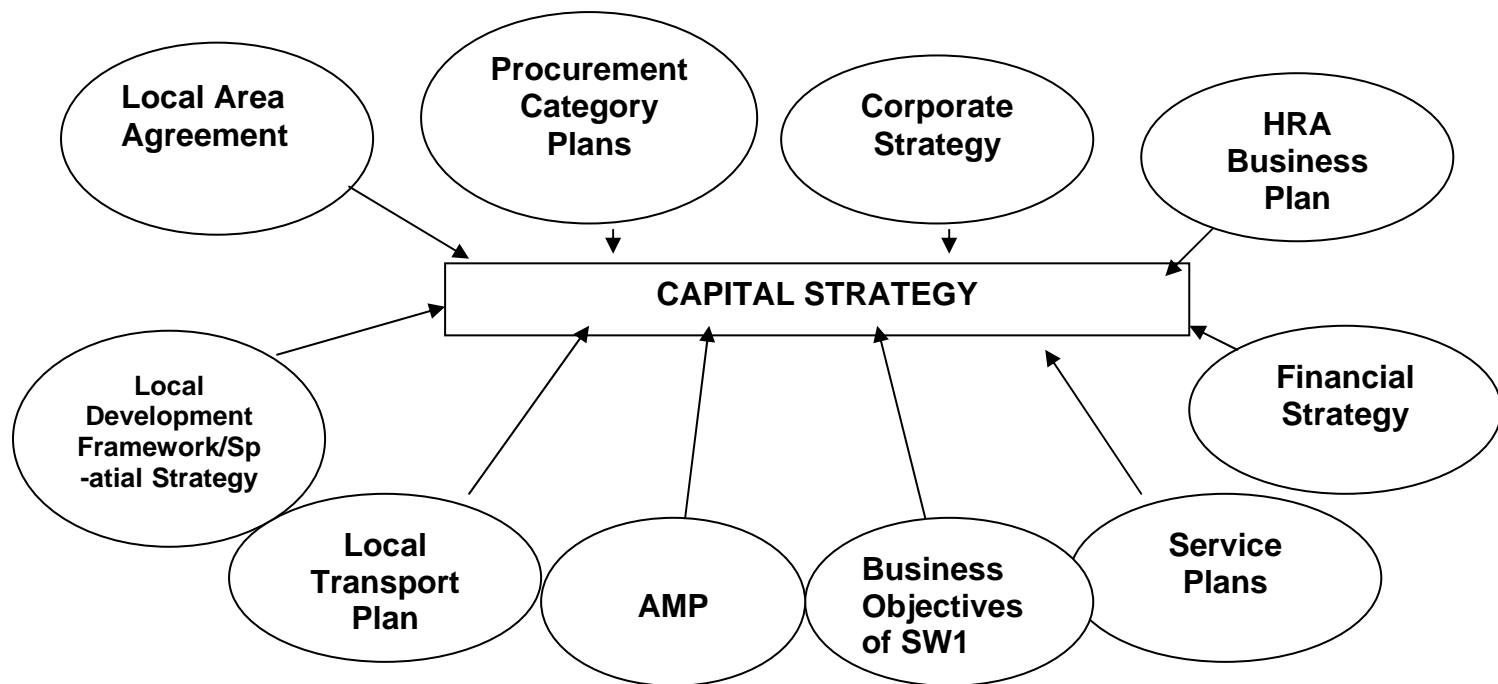
8.2 In recognition that the Borough Council is unlikely to have resources to meet all of our capital programme aspirations partnership working within capital schemes will be encouraged where added value and synergies can be achieved. We will work with partners to identify resourcing solutions and to determine priorities and innovative ways of procuring capital investment. We will, wherever possible, ensure that partnership working is achieved; this is to ensure that services are delivered to the public with more than just our own priorities in mind.

8.3 We are an active partner on the Local Strategic Partnership, which includes representatives from the voluntary sector, private sector and other public sector bodies such as the Health Authority. Our Community Strategy and Local Area Agreement targets help inform our corporate priorities, which ultimately shape the way in which our services are delivered. This is shown below:





- 8.4 The Council is also actively considering its options outlined in the Housing Green Paper; “Homes for the Future”. This may include the creation of a local housing company which would enable the authority to raise additional funding for one of our key priorities, affordable housing. The forthcoming review of Housing finance, which is expected in spring 2009, will also be important to the Council as this will provide some clarity on the future of the Housing Revenue Account and on the capital resources available post 2011, the deadline for achievement of the “Decent Homes” standard.
- 8.5 The Government has recently announced that new housing properties, which come under the control of the Council, may be excluded from the Housing Revenue Account and therefore there would be no capital receipts pooling liability from their future disposal. This is important as it could provide additional resources. The Housing Revenue Account MTFP will be updated during the summer of 2009 to reflect the changes to Housing finance outlined above.
- 8.6 The vast majority of projects shown in paragraph 2.3 above are being delivered in partnership with a variety of other public and/or private sector organisations. Further information on our key partnerships is shown in the Council’s Corporate Strategy 2009-2012.
- 9 Links to other corporate plans**
- 9.1 The Capital Strategy is informed by other plans and strategies that the Council has. It is consistent with those plans and its development depends on capital priorities being integrated into all that the Council does.
- 9.2 A summary of the key links to the Capital Strategy are shown below:



9.3 In particular the Asset Management Plan (AMP) provides the detail relating to how our assets are performing and how they have improved from year to year. The AMP should be read in conjunction with the Capital Strategy.

10 Our Strategy for Capital Investment – A Summary

10.1 The Council faces many challenges in the coming years, for our assets there are numerous aspects to consider. For example:

- The financial implications of the Disability Discrimination Act,
- The need to meet the Decent Homes standard for our council housing, and
- Uncertainty over the future of Housing capital finance, pending the outcomes of the forthcoming review
- The existing maintenance backlog facing our assets,
- Our customer access ambitions,
- Recognition that prime assets such as Deane House may no longer be operationally appropriate as the Council reviews its staffing compliment, following the 2009 Core Council review,
- The impact on existing assets of our joint venture partnership, Southwest One,
- The need for our assets to generate revenue income, where appropriate,
- The delivery of our key goal – Project Taunton,
- The need to modernise our public swimming facilities,
- Relocating key services where appropriate (ie our existing plant Nursery site).

10.2 In the light of these challenges we need to ensure that our assets meet the needs of our profile of services. This will require disposing of surplus and poorly performing assets, maintaining and enhancing assets relating to high priority services and purchasing new landholdings to facilitate Project Taunton.

10.3 In order to achieve this there are some key actions required:

- We need to continually review our asset holdings, to generate resources and to focus spending on frontline areas, this will be led by the Property services function of Southwest One,
- We need to consider the benefits of Prudential Borrowing to finance some of our aspirations, but be mindful of the cost implications and the need to provide services which are value for money,

The Council recognises that this will take time to deliver but these actions will ensure that we have assets that match our aspirations.

11 Conclusion

11.1 Capital Investment is necessary to ensure that the Council can meet its overall priorities. However this can only be done in partnership with others and in a way that makes the most of limited resources. This will be achieved through the principles outlined in the Capital Strategy and in the actions detailed in plans such as the Corporate Strategy.

11.2 The Capital Strategy will continue to develop over time in line with the Corporate Strategy.

Taunton Deane Borough Council

Executive - 1 April 2009

Report of the Strategic Finance Officer

Treasury Management and Investments Strategy for 2009/2010

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

EXECUTIVE SUMMARY

- Council debt at time of issue of report £17m, outstanding investments £14.5m.
- Short-term interest rates currently at 0.5% and look to remain at this level throughout 2009/10
- Long-term rates more stable at 4.00-4.5% (50yrs) for this financial year.
- World and UK economies continuing to decline, and the UK is officially in recession, interest rates at historic all time low levels. Inflation continues to fall.
- Borrowing and debt restructuring, if undertaken, to take advantage of lower rates and match our debt to capital needs.

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the treasury management and investment strategies for the financial year 2009/10.

2. INTRODUCTION

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires local authorities to set the Treasury Management Strategy Statement (TMSS) for borrowing each financial year.

- 2.2 CIPFA has defined Treasury Management as:

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

- 2.3 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices; the main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels and thereby in the value of investments).
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)

2.4 The strategy also takes into account the outlook for interest rates, the Council's current treasury position and its approved Prudential Indicators (attached as Appendix A). The PIs relevant to the treasury management strategy are set out below:

PI No.		2008-09 Approved	2008-09 Revised	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
6	Authorised Limit for External Debt	£40m	£40m	£40m	£40m	£40m
7	Operational Boundary for External Debt	£30m	£30m	£30m	£30m	£30m
9	Upper Limit for Fixed Interest Rate Exposure	100 %	100%	100 %	100 %	100 %
10	Upper Limit for Variable Rate Exposure	50 %	50 %	50 %	50 %	50 %
11	Upper Limit for total principal sums invested over 364 days	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%	£2m or 20%

10	Maturity structure of fixed rate borrowing	Lower Limit	Upper Limit
:		%	%
	under 12 months	0%	50%
	12 months and within 24 months	0%	50%
	24 months and within 5 years	0%	50%
	5 years and within 10 years	0%	50%
	10 years and above	20%	100%

2.5 This report also incorporates the Council's Investment Strategy.

3. THE TREASURY POSITION

3.1 The treasury position at 17/02/09 is:

	Principal £m	Average Rate %		£m	Average Rate %
External borrowing:					
Fixed rate - PWLB	14.006	4.74			
Fixed rate - Market	3.000	4.25			
Total external debt	17.006	4.65			
Total Investments				14.500	2.37

3.2 The estimate for interest payments in 2009-2010 is £833,000 and for interest receipts is £167,000.

4. OUTLOOK FOR INTEREST RATES

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix B. It is summarised below.

(a) Background

Central bankers acted decisively in October 2008 as the effective breakdown of financial systems threatened to destabilise the global economy. It included government sponsored recapitalisations, interventions through the provision of liquidity and guarantees for lending; in some instances nationalisation of private sector financial institutions; the removal of compromised assets from banks' balance sheets through special finance mechanisms; and co-ordinated emergency interest rates cuts. The UK, Eurozone and US economies contracted in the third and fourth quarters of 2008.

(b) Outlook

- **Availability of credit** is likely expected to remain restricted and credit conditions challenging, particularly as banks change their lending behaviour and lower their lending risk. The poorly functioning transmission mechanism for lower rates to be passed to consumers could cause governments to intervene directly between banks and corporates/individuals.
- **Inflation** : The elevated levels of commodity, food and energy inflation which exerted a powerful squeeze on real incomes in 2008 are expected to fade in 2009. CPI, which had risen to 5.2% in 2008, is now expected to fall below the MPC's lower boundary of 1%.
- **Labour market** : Unemployment, already at 6%, is expected to rise further.
- **Housing / Consumer Confidence** : The prospect of negative housing equity, and/or rising unemployment and depressed asset values could culminate in further negative confidence. Consumers and businesses will scale back spending to conserve or repair their balance sheets.
- **Growth** : The effort to reduce ballooning debt will hit economic activity and growth in the UK, US and in Europe. The prospects for growth remains uniformly poor in for much of 2009. Asset values are forecast to drop further, particularly those which are commodities- and housing-related.

- **Interest rates / Central Bank policies** : To avoid deflation and to mitigate the severity of the economic slowdown, there will be a growing willingness by Central Bankers to countenance abnormally low interest rates and/or some form of quantitative easing (i.e. using more unconventional methods such as expanding the central bank's balance sheet and injecting cash into the economy), sooner rather than later.
- **UK** : The Bank of England's Monetary Policy Committee cut rates by a cumulative 4.5%, bringing the Bank Rate down to 0.5%, a level the Bank deemed appropriate for the prevalent economic conditions.
- **US** : The Federal Funds rate was cut to 1%, before the decision in December 2008 to lower the rate to a range between 0% and 0.25% alongside the announcement of quantitative easing policies (among them, the purchase of large and unlimited quantities of agency and mortgage backed debt and the potential purchase of longer term Treasuries).
- **Euroland** : The European Central Bank is expected to cut rates more cautiously from the current level of 2.5% due to the different imbalances in each of the member states.

Market conditions and volatility : Market volatility remains high, risk appetite at a low ebb; markets are expected to continue in 'capital preservation mode' into early 2009. Although Libor is falling, the gap between official and market interest rates is likely to remain relatively wide for some months to come..

The deterioration in public finances – both via the cost of shoring up the financial system and also as recession hits the government's revenue streams – and the burgeoning budget deficit will require significant new gilt issuance in 2009. This excess supply is expected to push longer dated yields higher although not aggressively so. Short-dated gilt yields are however expected to fall with the gathering momentum of a fall in official policy rates.

The price destruction in equities will keep stock markets subdued and, even though there may be tentative signs of stability, it would be too early to say if a bottom has been reached.

Arlingclose's forecast for the UK Bank Rate (February 2009) is :

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Official Bank Rate									
Upside risk				+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.50	1.75
Downside risk		-0.50	-0.50	-0.50	-0.25	-0.50	-0.25	-0.25	

The probability of zero or near zero interest is now very high. The economic outlook provides both opportunities and challenges for the Council's treasury strategy in FY 2009-10.

5. BORROWING REQUIREMENT AND STRATEGY

- 5.1 The Council's underlying need to borrow for capital purposes is measured by reference to its Capital Financing Requirement (CFR) – see Appendix A. The

CFR will determine the Council's requirement to make a Minimum Revenue Provision for Debt Redemption (MRP) from within its Revenue budget. Physical borrowing may be greater or less than the CFR.

PI No. 3 Capital Financing Requirement	31/3/2009 Approved £m	31/3/2009 Revised £m	31/3/2010 Estimate £m	31/3/2011 Estimate £m	31/3/2012 Estimate £m
Non-HRA	10.015	9.324	9.572	9.81	10.038
HRA	14.451	14.451	14.451	14.451	14.451
Total CFR	24.466	23.755	24.023	24.261	24.489

- 5.2 In accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.
- 5.3 Capital expenditure not financed from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and may in turn produce an increased requirement to charge MRP in the Revenue Account.
- 5.4 The Council prefers to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term.
- 5.5 A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.
- 5.6 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the options it has in borrowing from the PWLB, the market and other sources up to the available capacity within its CFR and Affordable Borrowing Limit (defined by CIPFA as the Authorised Limit).
- 5.7 Short-dated gilt yields are forecast to be considerably lower than medium- and long-dated gilt yields during the financial year. Despite additional gilt issuance to fund the UK government's support to the banking industry, short-dated gilts are expected to benefit from expectations of lower interest rates as the economy struggles through a recession. Yields for these maturities will fall as expectations for lower interest rates mount.

The outlook for borrowing rates:

- 5.8 *Variable Rate borrowing* : The shocks in the financial markets in the second half of 2008 leaves the UK in a different era in respect of official interest rates which have fallen to 0.5%. The rates for PWLB variable-rate borrowing has fallen substantially and are currently (March 2009) below 1%.

- 5.9 *Fixed rate borrowing* : Gilts across all maturities will initially benefit from their status of safe haven assets in uncertain economic times. Bank of England is to embark immediately on a radical and comprehensive programme to grow the money supply by at least £75bn over the next three months, and much of that will be the purchase of 5-25 year gilts. As yields fall initially, fixed PWLB rates across these maturities could challenge historic lows and should provide some attractive fixed rate borrowing opportunities
- 5.10 The Council will evaluate with Arlingclose the relative merits of a strategic exposure to variable rate debt. Decisions to borrow at low, variable rates of interest will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. Should longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.
- 5.11 Actual borrowing undertaken and the timing will depend on capital expenditure levels, interest rate forecasts and market conditions during the year, in order to minimise borrowing costs. The Council will be advised by Arlingclose of the specific timing of borrowing. This may include borrowing in advance of future years' requirements provided that overall borrowing is maintained within the Council's projected CFR and its approved Affordable Borrowing Limit.
- 5.12 The Council will undertake a financial options on any borrowing transactions to establish how it has arrived at its 'value for money' judgement in the use of resources.

6. DEBT RESTRUCTURING

- 6.1 The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:
- Savings in interest costs with minimal risk.
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- 6.2 The rescheduling of PWLB debt since the introduction of its repayment rates on 1 November 2007 has not ceased, but has become undoubtedly harder and places greater emphasis on the timing and type of new borrowing. PWLB rates exhibited a fair degree of volatility in FY 2008-09; should a similar pattern emerge in FY 2009-10, this could provide the Council with some rescheduling opportunities.
- 6.3 Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available

refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers.

- 6.4 All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

7. INVESTMENT POLICY AND STRATEGY

- 7.1 Guidance from the then ODPM (now DCLG) on Local Government Investments in England requires, similarly, that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement and the Annual Investment Strategy to be combined into one document.

Investment Policy

- 7.2 The Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:
- security of the invested capital;
 - liquidity of the invested capital;
 - an optimum yield which is commensurate with security and liquidity.

The speculative procedure of borrowing purely in order to invest is unlawful.

- 7.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the ODPM Guidance. Potential instruments for the Council's use within its investment strategy are contained in Appendix C.
- 7.4 The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength (for example, statements of potential government support). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.
- 7.5 The Council's estimated levels of investments are set out in 2.1 of this Treasury Management Strategy Statement.

Investment Strategy

- 7.6 The global financial market storm in 2008 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council's budget.
- 7.7 **It is expected that the Bank Rate will remain to near zero in FY 2009-10, short-term money market rates will continue to fall to very low levels which will have a significant impact on investment income.** The Council's

strategy must however be geared towards this development whilst adhering to the principal objective of security of invested monies.

- 7.8 The S151 Officer under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the Executive meeting twice annually.

Investments managed in-house :

- 7.9 The Council's shorter term cashflow investments are made with reference to the outlook for the UK Bank Rate and money market rates. For these monies, the Council will mainly invest in
- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)
 - AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing predominantly in government securities
 - AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing in instruments issued primarily by financial institutions;
 - Deposits with other local authorities
 - Business reserve accounts
 - Term deposits
 - Certificates of deposit.
- 7.10 Protection against the downward move in interest rates through 1-year deposits and through longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments and may include :
- **Supranational bonds (bonds issued by multilateral development banks):** The joint and individual pan European government guarantees in place on these bonds provide security of the principal invested. Even at the lower yields likely to be in force, the return on these bonds could be attractive relative to the increasingly low outlook for official interest rates.
 - **UK government guaranteed bonds and debt instruments issued by banks/building societies :** The UK Government's 2008 Credit Guarantee Scheme permits specific UK institutions to issue of short-dated bonds with an explicit government guarantee. The bonds are issued at a margin over the underlying gilt and would be a secure longer-term investment option. (These bonds would, under existing statute, be capital expenditure investments.)

8. OTHER ISSUES

- 8.1 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.

9. IMPACT ON CORPORATE PRIORITIES

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

10. RECOMMENDATIONS

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

Background Papers

Executive 18/06/08 – Treasury Management Outturn 2007/08 & 2008/09 Update.

Executive 04/02/09 – General Fund Revenue Estimates 2009/10

Contact Officer: Maggie Hammond,
Strategic Finance Officer,
Tel: (01823) 358698 or Ext 2712
E-mail: m.hammond@tauntondeane.gov.uk

Appendix A

PRUDENTIAL INDICATOR	2007/08 outturn	2008/09 estimate	2009/10 estimate	2010/11 estimate	2011/12 estimate
Capital Expenditure					
General Fund	£4,010,000	£6,361,000	£1,955,000	£1,759,000	£2,324,000
HRA	£4,399,000	£5,951,000	£5,555,000	£4,560,000	£4,384,000
TOTAL	£8,409,000	£12,312,000	£7,510,000	£6,319,000	£6,708,000
Ratio of financing costs to net revenue stream					
General Fund	-2.22%	-2.61%	0.91%	0.60%	0.23%
HRA	3.03%	1.95%	1.23%	1.34%	1.49%
Net borrowing projection					
brought forward 1 April	£6,634,000	£9,425,000	£10,131,000	£10,751,000	£11,371,000
Carried forward 31 March	£9,425,000	£10,131,000	£10,751,000	£11,371,000	£11,991,000
in year borrowing requirement	£2,791,000	£706,000	£620,000	£620,000	£620,000
Capital Financing Requirement as at 31 March					
General Fund	£6,893,000	£9,324,000	£9,572,000	£9,810,000	£10,038,000
HRA	£14,451,000	£14,451,000	£14,451,000	£14,451,000	£14,451,000
TOTAL	£21,344,000	£23,755,000	£24,023,000	£24,261,000	£24,489,000
Incremental impact of capital investment decisions					
Increase in council tax (band D)	£0.65	£0.65	£0.43	£0.32	£0.78
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%
Maturity Structure of Fixed Rate Borrowing (Upper and Lower Limits)					
under 12 months	8.7%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
12 months and within 24 months	0.0%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
24 months and within 5 years	0.0%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
5 years and within 10 years	8.7%	0% to 50%	0% to 50%	0% to 50%	0% to 50%
10 years and above	82.6%	20% to 100%	20% to 100%	20% to 100%	20% to 100%
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

Arlingclose's Forecast for Interest Rates (February 2009)

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Official Bank Rate									
Upside risk				+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.50	1.75
Downside risk		-0.50	-0.50	-0.50	-0.25	-0.50	-0.25	-0.25	
1-yr LIBID									
Upside risk									
Central case	2.00	1.50	1.50	1.75	2.00	2.00	2.25	2.50	2.75
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt									
Upside risk									
Central case	2.50	2.25	2.00	2.00	2.25	2.25	2.50	2.75	2.75
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt									
Upside risk									
Central case	3.25	3.00	3.00	3.25	3.50	3.75	3.75	4.00	4.00
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt									
Upside risk									
Central case	4.25	4.00	4.00	4.25	4.50	4.50	4.75	4.75	4.75
Downside risk			-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
50-yr gilt									
Upside risk			+0.10	+0.10	+0.10	+0.10	+0.10	+0.10	+0.10
Central case	3.90	3.90	4.00	4.25	4.25	4.50	4.50	4.50	4.50
Downside risk			-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10

- The UK is in the throes of a deep and long recession. Globally, economies also face a severe and synchronized downturn.
- Quantitative easing measures are under way but their effects to restore confidence, credit conditions and ultimately growth are difficult to gauge.
- **We believe we will see lower rates for an extended period.**

Underlying assumptions :

- Growth is contracting around the world. There is a deeper and longer recession in the UK than previously estimated.
- Inflation (CPI) is projected to fall below the MPC's 1% lower threshold in 2009.
- Bank recapitalisation efforts have not stabilised banks or restored market confidence. G20 Summit to aim for a "make or break" solution which could lead to nationalisation initiatives globally.
- Reductions in UK interest rates, which are now at terminal levels, are having little effect. Further rate cuts can only be symbolic, but will be sanctioned anyway.
- The Bank of England will buy gilts and corporate securities as part of its quantitative easing measures but its effectiveness and market response are uncertain.
- UK public finances are worsening, requiring a slew of gilt issuance to plug the gap. It will ultimately push gilt yields higher, although not aggressively so.
- The global downturn gathers pace as fiscal and financial packages have minimal effect. Policy rates, already near zero in the US, will reach historic lows in the Euroland as the ECB is forced to cut rates to address a sharp slowdown in its member countries.

Specified and Non Specified Investments

Specified Investments identified for use by the Council:

Specified Investments will be those that meet the criteria in the ODPM Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high” credit criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing predominantly in government securities
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV) investing in instruments issued primarily by financial institutions;
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

1. * *Investments in these instruments will be on advice from the Council’s treasury advisor.*
2. *The use of the above instruments by the Council’s fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.*

For credit rated counterparties, the minimum criteria will be the short-term / long-term ratings assigned by one or more of the following agencies (Moody’s Investors Services, Standard & Poor’s, Fitch Ratings)

example : Long-term minimum : Aa3 (Moody’s) or AA- (S&P) or AA-(Fitch).

Or : Short-term P-1 (Moody’s) or A-1 (S&P) or F1 (Fitch).

(Please note the above are examples only)

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

<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 category - Long Term F1 – Short Term	1 year
Callable Deposits – Banks and Building Societies	Fitch: AA category - Long Term F1 Short Term	1 year
Money Market Funds	AAA only	Not applicable, instant access available to all of deposit.
<u>Non-Specified Investments</u>		
Term Deposits – Local Authorities	Not applicable	2 years
Term Deposits – Banks and Building Societies	Fitch: AA - Long Term F1– Short Term	2 years

NB – all Investments are limited to a maximum amount of, the lesser of £2m or 20%, of investment portfolio, per Counterparty. Reference will be made to individual and support ratings.

Taunton Deane Borough Council

Executive - 1 April 2009

Report of Strategic Director Joy Wishlade

Conversion of Taunton Market Site to a Surface Car Park

(This is the responsibility of Executive Councillors Coles and Horsley)

1. Introduction

The Taunton market site is now vacant; it is proposed to convert the site temporarily to a surface pay and display car park. These works will be funded from the monies generated by the sale of equipment when the Taunton Market Auctioneers vacated the site some months ago, and which produced a net income of £22,800 and which is, as yet, uncommitted.

This conversion would be a temporary move until the site is ready for complete redevelopment in line with the original plans within Project Taunton.

The Executive are also requested to formally reclassify this asset as a car park with effect from 1 April 2009, this is required for the purposes of treatment within the Council's accounts.

2. Site expenditure

The £22,800 funding available will be used to level the surface where necessary, to mark out parking bays and to provide a suitable number of pay and display ticket machines. Some funding will also be required to ensure the whole site is as secure as possible pending the start of the development works.

These works are capital in nature and as such this request constitutes a supplementary estimate to the capital programme, therefore approval from Full Council is required.

3. Recommendations

The Executive are asked to recommend to Full Council:

- The approval of a supplementary estimate to the capital programme of £22,800 for the conversion of the site to a surface car park (funded from within existing resources),

- The portfolio holder be given authority to oversee the full spending plan in conjunction with the Parking Manager and Strategic Director,
- To formally reclassify the land as a car park with effect from 1 April 2009.

Joy Wishlade
Tel. 01823 356403
j.wishlade@tauntondeane.gov.uk