

## Remote Review of Draft Torbay Efficiency Plan and underlying savings plans.

I have carried out a desktop review of Torbay's Efficiency Plan as requested. There is no formal guidance on the production of these documents, and few examples of completed ones from other local authorities, although I have shared drafts from Coventry and Peterborough. It is clear that practice will vary widely, and that the bar for assessment by CLG will be very low.

Authorities around the country are working up devo deals, an element of which is usually some form of wider Public Service Reform, which will begin to reconfigure service planning across the public sector and the area of the deal/Combined Authority. I am aware that some authorities are beginning to build savings from these initiatives into their MTFPs. This will be heavily driven by local progress on devo, and I certainly would not advocate building in figures without foundation. However, tactically it may be worth referencing all this much more in the Efficiency Plan – in the very long run something big has to shift to enable costs to be managed and revenues grown.

It may be helpful to include reference to the level of approval that the plan has eg has it been to Cabinet or Council? Similarly, how does it relate in detail to the MTFP, some see it as overarching, others almost as an addendum

Overall, I think the Torbay Plan is a good document, well presented, that covers the bases. One of the central questions is whether these plans need to include a summary table that shows categorically that the efficiencies/savings and meet the predicted gap over the period. Torbay have chosen not to include such a table. I concur with that tactic, and am clear that many authorities round the country will do the same, but there remains a risk that this may prompt some comeback from CLG in due course.

My major concern is on detailed financial plans underlying the content. From the supporting documentation the overall financial position can be summarised as follows:

**Table: Summary of Torbay Savings Projects.**

	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2021/22	TOTAL	TOTAL
	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX			MIN	MAX
Red	-	-	81	126	875	1,328	967	1,717	-	2,000	3,923	5,171
Amber	75	75	1,425	2,705	2,540	3,788	2,450	3,200	450	450	7,390	10,668
Green	-	-	250	788	250	306	250	250	-	-	750	1,344
<b>TOTAL</b>	75	75	1,756	3,619	3,665	5,422	3,667	5,167	450	2,450	12,063	17,183
Budget Gap			6,825	6,825	6,539	6,539	5,101	5,101			18,465	18,465
% of Gap			26%	53%	56%	83%	72%	101%			65%	93%
<b>Cumulative</b>												
Savings			1,831	3,694	5,496	9,116	9,163	14,283			12,063	17,183
Gap			6,825	6,825	13,364	13,364	18,465	18,465			18,465	18,465
% of Gap			27%	54%	41%	68%	50%	77%			65%	93%

Key issues:

- By 2021/22 even at the maximum end of the range the savings do not balance the budget (93%) and the minimum end of the range falls well short (65%). By then, additional grant reductions in 2021 and 2022 are likely to have moved the goalposts back still further.
- The savings that do materialise are backloaded
- There is a relatively low percentage of green rated, easier to deliver proposals, and a significant reliance on red rated issues that are backloaded.

This detail is not discernible from the draft efficiency plan itself, but could emerge in the event of any detailed scrutiny of the plan by CLG – although I think such scrutiny is highly unlikely.

I am not sighted on other plans that Torbay has to balance its budget across the next four years that are not covered in the documentation. It is also clear that many, probably most, authorities are really struggling to identify proposals to balance across the four year period. *Nevertheless, the plan shows too little action and too late in the plan period.* The concern for Torbay must be to bring more proposals forward, and/or to accelerate progress and to de-risk them into lower categories - the short term priority must be to balance the budget in 2017/18 and 2018/19. *The summary table above show a range of savings plans which cumulatively by 2018/19 cover only 41% to 68% of the predicted gap. This is highly concerning.*

### **Detailed Comments on (Draft) Underlying Transformation and Savings Plans.**

I have a number of detailed observations outlined below – these are made from a distance with the sole intention of being constructive, and inevitably there will be areas where I am wrong or colleagues in Torbay disagree.

#### **Children's Services Plan.**

The Plan is intended to deliver £2m pa of savings by 2019/20, and a further £2m in 2021/22. Given the history and sensitivity of this area, delivery of this presents a major risk. We have agreed that there will be a separate review of the Plan in due course, but I remain concerned at the possibility of vesting Children's budgets into the ICA until these savings are either in delivery or the risks have been mitigated. All efforts must be made to bring forward the delivery of these savings. This is the single biggest area of corporate financial risk – it needs to be at the heart of officer and member understanding and decision making on the MTFP.

#### **TOR2 Service Contract Savings**

I note the delivery of these savings is towards the end of the plan period. I wonder if there is scope to bring this forward? I would also suggest that this area might be one where some external resource with a private sector commercial edge might bring results more quickly? In particular, I wonder whether there have been any changes to the governance of this

arrangement, which may be the key to unlocking savings more quickly, and possibly at a greater level. I would be happy to discuss this further if useful.

### **Review of Minimum Revenue Provision**

Most Authorities have or are in the process of looking at this. I guess I am surprised that the potential savings are not larger, although the scale is very dependent on local history and risk appetite. Depending on the precise proposals, this also feels green rather than amber as it is a device widely used across the sector.

### **Council Tax Increases.**

I understand that Torbay is proposing going for the ASC Precept and a basic Council Tax increase in all years, although the latter is not clear even from the more detailed working papers. Both increases raise up to approximately £1m additional per annum growing cumulatively. Given the overall picture, it is essential that full consideration is given to maximizing Council Tax Revenues across the plan period.

Central government policy has shifted away from freezing Council Tax, and CLG's own predictions for LG spend assume (non ASC) Council Tax increase in line with CPI – many authorities see 2% as a reasonable proxy. When I was in Torbay many stakeholders expressed surprise to me that the Council had gone for Council Tax freezes given its financial position. My strong advice would be to progress with an annual 2% rise but engage stakeholders in advance so they can give feedback before a political decision. It is difficult to see that government will have much sympathy for Torbay's financial difficulties if it does not maximise this opportunity.

Given the risks attached to the delivery of some of the other areas in the overall plan, and in particular in relation to Children's Services, there is an attraction to looking at Council Tax increases – they are predictable, certain and almost risk free. As the whole local government system moves towards authorities funding themselves locally from Council Tax and Business Rates, there is a strong case for taking action to grow the tax base by all methods possible.

Torbay does not have high Council Tax. At £1311 for a Band D property it is 45<sup>th</sup> out of 92 in a ranking of all mets and unitaries. Many of these authorities are likely to raise basic Council Tax and the ASC precept in 2017/18 and beyond.

Whatever the policy decision the assumptions on Council tax do need to be clearly articulated and visible in the MTFP and supporting working papers.

### **Business Rate Growth**

The figure of £50k growth over the plan period seems modest, but I do not have visibility on the local economy. I am concerned that this is backloaded to the final year of the plan – this growth could be lost to Business Rates reform proposals which come in as early as 2019/20, or the 2020 reset.#

### **Public Health Savings**

As advised separately, I think a proportionate saving from public health budgets is a reasonable and widely used approach. £500k is probably at the minimum end of the range – given that the overall MTFP does not balance, this is a possible area for further exploration of savings potential.

### **Youth Services.**

It seems savings of £86k per annum are proposed – I cannot see a figure for the annual budget, so I have little feel for scale. Many authorities are pulling out of universal youth services altogether, and keeping only highly targeted services linked with keeping young people out of care. Depending on Torbay's current position, £86k may be a modest figure?

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