Financial Resilience Review

Torbay Council

November 2016

Contents

1. Executive Summary

Torbay is no different to other councils, especially upper tier councils with social care responsibilities, in that it is faced with increasing cost pressures, reducing grants and therefore a challenging financial future. It has to deliver savings of approximately £21m in the three years to 2019/20 on a net budget of £109m. It has ambitious plans, but which on some significant areas are only at an early planning stage. In order to cover the gap production of quality execution plans will be crucial. In that context, it is likely that some of the ambitious headline plan will slip and/or not deliver over the planning period to 2020. Consequently it will need to identify in the order of £5m of additional savings through to 2019/20.

Delivering genuine efficiencies must be a the main aim, but for many working in local government, including members, the inevitable requirements to have to go further and cut and ration services in response to austerity is an anathema to their original personal motivations in joining the sector. However, that is the reality facing the sector and Torbay is no different. In narrow financial terms, the council is financially viable but crucially must focus on credible plans to ensure balance in an ordered way as well as ensuring that it gains control of the spending of children's and adults services over the next 12 to 24 months.

The council have proposed a number of innovative, income earning schemes to help them solve their financial problems; a £50m investment fund, a housing company and a series of regeneration schemes. All are at the relatively early idea stage and although have merit are likely to slip and/or not deliver the scale of hoped for savings over the planning period. The schemes should not be abandoned but the focus of limited management resources needs to be on Adults and the ICO, reducing spend in children's safeguarding, reducing costs in other services, using IT as an enabler and increasing income from council services.

This report sets out a number of observations and recommendations across all of its major areas. The key recommendations are:

- Focus on producing quality execution plans, including resourcing and specialist support, for all the key saving areas
- Undertake an options appraisal for the ICO in order to mitigate the cost of the current risk share agreement and establish a realistic contribution to the council's financial balance over the medium term.
- A rigorous focus on all comparatively higher cost services and/or lower local income areas
- Accepting that greater commercialisation meant more 'savvy' due diligence.
- More savings options need to be identified, particularly for 2018/19 and 2019/20

- Review the logic that suggests transferring children services to the ICO equates to as the best option in terms of gaining a grip on social care practice and financial balance for the council over the medium to longer term.

We would like to thank the management team, those we interviewed and the staff who supported us for their welcome, openness and cooperation in carrying out this work in such a short timeframe.

2. Methodology and Terms of Reference

The Chief Executive of Torbay council commissioned CIPFA to undertake a tailored financial resilience review informed by the insights of a team of experienced Finance Directors/Chief Financial Officers. Its primary focus was its medium and longer-term viability. Following several years of stringent budgetary discipline, including five years of freezing its council tax the council felt it had exhausted the more usual income, savings and efficiency options. It had recently embarked on a number of higher risk strategies, such as establishing a £50m Capital Investment Plan and £60m Housing Development Company funded from Prudential Borrowing (both with the express goal to generate revenue), together with a number of ambitious transformation projects. The Council considers it will need to utilise 'one off' reserves in 2017/18 to underpin the revenue budget, which is obviously not a sustainable situation

The review was agreed to include:

- An extensive cost and income benchmarking exercise using CIPFA's access to sector comparative data.
- Meet, initially, chief officers to discuss perspective views on medium term planning.
- Use an experienced CFO to peer review the budget position and strategy to give insight to complement the above analytical approach.
- Benchmark costs, income and use of the balance sheet as well as comment on how the budget strategy compares with many we see.
- Give a specific focus to commercialism in terms of opportunities, approaches and risks.
- Identify potential gaps in opportunities to help achieve medium term balance

The team worked extremely closely with the Council Management team (SLT) and in particular the Head of Finance and his team in carrying out this review. The Head of Finance is undoubtedly able, and appears to have the confidence of the Council's management team. However a number of suggestions are made in the report to enhance his strategic contribution into particular keys agendas across the council, eg children's services recovery planning.

The report in some areas may appear critical, this is not intended, and there are a number of areas that would represent good practice that clearly have not been commented on as is the nature of the piece of work. The council in some areas is at the vanguard, particularly in respect of Adult Care integration. To be at the front of change requires risk taking, which clearly may not always result in positive outcomes. It must also be recognised that the review was carried out in just three days by three people and given more time different views may have been made. Furthermore, that timeframe does not allow an audit or comprehensive review of documents. Rather, it does allow an intensive process relying on the insights and experience of the time. Given this the report is felt to be a fair reflection of where the council is in terms of overall financial resilience and if it takes on board the recommendations will be well equipped to produce a balanced budget going forward.

3. Diagnostics Headlines

- Overall net spend per head mid-range
- Children’s Social Care spend second highest in group
- Adult Care spend mid-range
- Public Health spend 5th highest
- Reserves low, 3.7% of net revenue compared to an11.3% average
- Waste Management 4th highest
- Planning 5th highest
- Council tax collection costs 5th highest
- Collection rate low Income low
- Concessionary fares highest in group

The full diagnostics reports have been provided to the Council

4. Medium Term Resource Plan

4.1. Summary

The council needs to deliver £21m of savings or increased income in the three years to 2019/20 from its £110m net budget. It is well advanced in identifying many proposals, especially for 2017/18 but some significant proposals for the later years are at an early stage and the CIPFA team feel are likely to slip and/or not deliver the scale in the planning period as a result.

4.2. Review

A high-level review was carried out with the Head of Finance (s151 Officer) to ascertain if key assumptions around inflation, loss of grant and demographics changes were appropriate. Although the assumptions were reasonable and the overall position reported to members appeared correct it did require face to face discussions with the Head of Finance to verify the position. Some pressures and loss of grants, for example New Homes Bonus were consolidated into single lines and not particularly articulated more widely as a funding change. For example, the loss of income from pooled business rates is included as a pressure in 2019/20 but not explained in the budget report. It would be more helpful to expand some of the tables and include some narrative to explain the changes to increase overall understanding.

4.3. Clarity over presentation

There seems a lack of consistent understanding across the organisation about the overall level and source of savings required to balance the budget over the medium term and in particular there needs to be a clearer link between transformation and departmental savings

A consolidated document, recognising savings agreed and published, those not agreed and ideas needs to be kept. The status of each proposal needs to be clearer. In some areas large savings targets had been included as working targets, they are simply ideas but have the same status as more realistic targets. This gave the impression of more advanced plans than first appears and a protocol for signing off figures with the Head of Finance at least outline business cases, needs to be established.

Each authority is different and ways of presenting information evolve, a number of examples of alternative budget reports to use for ideas have been provided to the Head of Finance while on site to improve clarity and CIPFA is able to provide additional resource if required to help with this.

4.4. Level of Borrowing

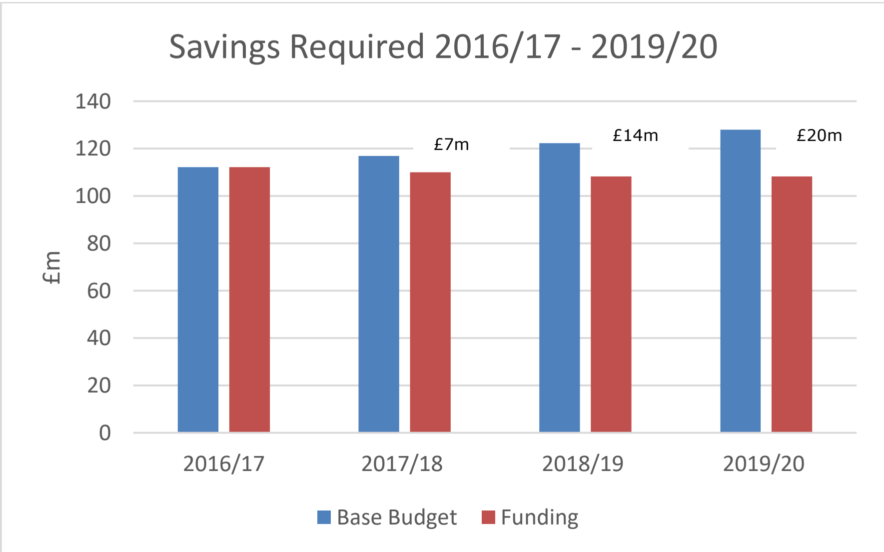
At 31st March 2016 Torbay's external debt was £138m, a reasonable level for the size of the authority and its asset base and in line with its net revenue budget of £110m. It does have proposals to increase this by approximately £100m, a housing company and an investment fund to help provide an income stream. Both would be backed by the value of equivalent assets but clearly increase the level of risk to the authority. The due diligence required to be undertaken before embarking on these projects is commented on further in this report. The higher overall debt levels, although slightly larger than for a similar sized authority would not be unusual, or put Torbay as an outlier.

4.5. Capital Financing

There needs to be a much closer link between the revenue and the capital report. There is a lack of detail and shared understanding of which capital schemes are financed through grants, which ones are self-financing and those that require revenue contributions. These should be set out in the capital report and the cost of borrowing clearly identified in the revenue report.

4.6. Reformatted Medium term resource plan 2017/18 – 2019/2020

4.6.1. The council needs to deliver around £21m of savings or increased income in the three years to 2019/20 from its £109m net budget.as set out below, the difference between the cumulative gap of £19,739k and £21,000k allows an element of reasonable contingency.



Revenue Budget	**2017/18**	**2018/19**	**2019/20**
	£'000	**£'000**	**£'000**
Estimated Sources of Finance			
Revenue Support	14,190	10,310	6,420
Education Grant	295	295	295
Business Rate Retention 49% Share	14,641	15,051	15,532
NNDR Top Up Grant	15,078	15,386	15,878
New Homes Bonus	3,100	1,900	1,800
Section 31 – New Burdens Grant	1,399	1,438	1,484
Council Tax	61,342	63,917	66,876
	110,045	**108,297**	**108,285**
	£'000	**£'000**	**£'000**
Net Expenditure budget prior to growth and savings	112,156	110,045	108,297
Pressures, investments and funding changes, including Adults	7,103	5,389	5,666
Less 2015/16 One Off expenditure	(2,290)	0	0
Net Expenditure budget	**116,969**	**115,434**	**113,963**
Annual Budget Gap	**(6,924)**	**(7,137)**	**(5,678)**
Cumulative Budget Gap	**(6,924)**	**(14,061)**	**(19,739)**

5. Transformation Plan Process

5.1. The Transformation Vision

The transformation plan is perhaps a misnomer in it is the process for monitoring the overall progress of savings plans that require significant project management input. It does not appear to have an overall stated vision to change or transform the way the council overall operates or is structured. For example a consolidated digital, customer relationship and accommodation strategy that together will change the way the council operates in the future as well as deliver savings

The consolidated approach should not be abandoned but should be refined and more rigour applied. As mentioned above in section five on the MTRP there is no narrative linking the transformation programme with the MTRP. Prioritisation is a good step but still not clear enough. There is a lack of detail on a large number of the savings proposed. Some of the projects should be consolidated into single delivery boards.

While the recent strengthening of support at the Transformation Board level must be a positive, that contrasts with the relative lack of support for the production of key delivery plans. The latter is more critical as in governance terms, the Transformation Board as an extended version of the Council Management Team meeting, can only act as overall programme oversight role in practice.

5.2. Potential Project Delivery Boards

The CIPFA team focussed primarily on the identified eight key priority projects, a critique on each of these is set out in the following sections of this report. These could and should be consolidated into project delivery boards which as a first stage would identify dedicated project resources to produce quality execution plans which would be the boards main focus. The team felt this was the most apparent weakness and recipe for failure – a lack of focus on execution and what that entailed. Part of this was due to lack of planning and there was limited mention of project management discipline or knowledge and an expectation of delivering within existing resources. Clearly current staff need to be involved and own the projects but without dedicated, specialist resources the projects will fail and the slippage in savings cost more than the apparent saving in project resources. In some cases there was a mismatch between responsibility for delivering the project and organisational accountability. For example; clear client, provider and executive responsibilities need to be established for each board.

Boards could be established as follows under themes, with names customised by Torbay to aid understanding:

- Procurement/Recommissioning - TOR2 and public toilets, Libraries, Sports and Leisure, Culture – Board Executive Fran Hughes

- Investment/Regeneration – Housing Company, Investment Portfolio, Maximising Council Assets, Town Centre Regeneration, Use of Oldway Mansion – Board Executive: Steve Parrock

- Children’s Improvement – Board Executive: Andy Dempsey

- Income Opportunities - RIO project, Car Parking Strategy, Council Tax Collection, Council Tax Reduction Scheme, Board Executive: Anne Marie Bond

- Adults Social Care Integrated Care Options Appraisal, Board Executive: Caroline Taylor

Each board to have its own project management and finance support as well as required specialist input reporting to the overall transformation board with consistent highlight reports.

6. Adult Care and the Integrated Care Organisation

6.1. Observations

The agreement signed for an Integrated Care Organisation (ICO) in October 2015 is the direction of travel nationally for Adult Social Care and the Health service intended by government, having a whole system approach. The difficulty for Torbay is that the risk share agreement means they are subject to the overall financial pressures from the NHS in the whole of the Torbay and South Devon area with no ability to control or influence them. The team did not examine the agreement in detail or provide comments on whether the agreement should have been entered into. Its concern is that the councils largest budget is actually not delivering the agreed savings it requires and in practice is adding to the financial gap. The council needs to be in a position to change this as soon as possible. It cannot be correct that Torbay council tax residents are having to fund the cost of the NHS just because they are pathfinders in integration. In short, the involvement in the ICO has to be a 'win-win' for the service user and for Torbay's Council taxpayers. The impact of the risk share agreement itself greatly risks undermining this essential equation.

The team were concerned about the transparency of management information to the Council from the ICO in respect of adult social care. In fairness this was challenged by the responsible Director but in wider discussions, there was different and conflicting views within the senior leadership of the Council on this point. This needs to be settled in an objective way within SLT.

6.2. Public Health

The team were unable to meet the Director of Public Health but examined the overall contracts and breakdown of the public health budget. It was unable to understand the strategic logic behind the public health commissioning team. It was not part of the ICO nor of the adults or children's social care team within the council. To coin a phrase, it appeared to be in the position of neither "fish nor fowl". All of the public health delivery contracts were with the ICO and from a strategic perspective that may make sense in accord with the one system approach. However, it was difficult to establish how value for money had been achieved as they appeared to be with the same inherited provider within the ICO. The public health team is set up to a level and in a format that would suggest the intention is different with a large commissioning team. Other councils have integrated public health within their Adults Care Directorate to encourage integration, however for a council at the vanguard of health integration this has not been done.

As part of any further agreement with the ICO, and in particular the risk share agreement, the council need to decide it strategic approach to integrating Public Health either within the ICO or the Council.

6.3. Recommendations

- It is recommended that the council start a rigorous options appraisal on the impact of the risk share agreement on the medium term financial balance of the council to ensure a proper 'win-win' balance between service users and council taxpayers, is maintained..

- The council should make clear its strategic approach to integrating public health especially in relation to commissioning within either the ICO or the council and evidencing value for money.

7. Children’s Safeguarding

7.1. Observations

Judged as failing by Ofsted and now subject to intervention via an externally appointed commissioner, the leadership culture and social care practice on the ground were key reasons for that overall judgement. As part of the intervention process there is an expectation that the service will be removed from direct local authority control and placed within:

1) an independent trust,

2),the ICO or

3), some other configuration led a by a ‘good’ service.

What follows are the opinions of the CIPFA team on that debate but on an intuitive ,albeit experienced CFO, basis. The appointed commissioner will come to an authoritative view himself.

The CIPFA team feel that both of the first two of options listed above could represent significant financial risk to the council. Major capacity issues would not be resolved under a trust (option 1) and the required focus on the interests of social care practice must be a major risk under the ICO (option 2). For both option 1 and 2 in particular, Torbay would bear the financial budgetary consequence of management actions but with limited ability to influence. All three options appeared to be at an early stage of consideration. Much of the council’s focus in that regard was in developing the case for option 2, the ICO, that was work in hand at the time of the CIPFA visit. In fairness to all little work has been done on a possible option 3 but intuitively it does feel like an alignment of strategic interests namely solid and modern social care practice and the council taxpayer impacts. That said, it does not eliminate the financial risks to Torbay but could well reduce them if it proved to be a viable option. That will be more a function of finding a willing and able local authority partner.

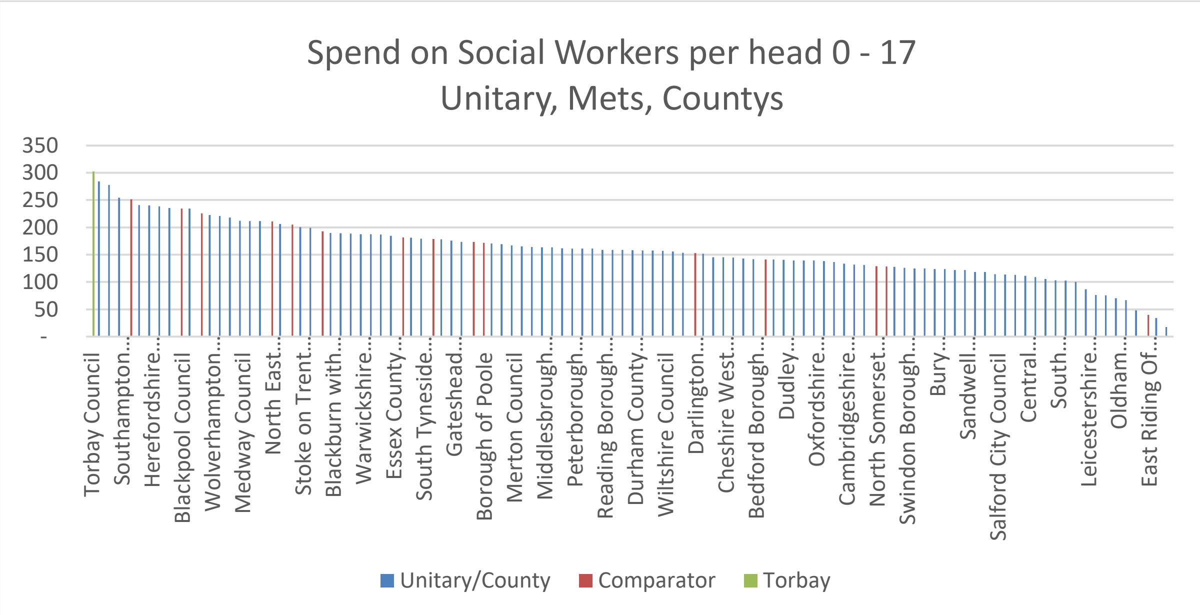
In terms of the current position, the diagnostics show that not only are Looked after Children numbers exceptionally high, unit costs and the number of residential placements for those children are also high. Spending on 28 children in residential placements costs £5.3m pa, ranging up to £377k pa for one child, £190k pa on average. The council if caring for a child for 10 years could spend nearly £4m with not necessarily the best outcome.

Compared to the average spend per head of population 0 - 17 of its comparator group it is spending £8m pa more on children's looked after.

Considering that such a low risk threshold is in place the number of social workers and support staff are also high. This results in the highest spend on social work per head 0-17 years outside of London, £3.2m more than the council would be spending if it were at average spend based on the 2014/15 outturn. Proportionately four times more than Hampshire, its improvement partner.

A proportionate number of residential placements compared to Hampshire would be four rather than 28. The nervousness of challenging the resources of a poor service are understood but a lean review of the service and integration with a larger, established good council, thus improving processes could yield significant savings.

The table below shows the spend on social workers per head of population aged 0 – 17 in 2014/15 is the highest in the country outside of London. This is latest actual data available for comparative purposes with all Unitary, Metropolitan and Counties (excludes London Boroughs). Torbay is represented in green, its comparators in red.



Focusing on social care practice, reducing placement, social work and administration support spend will be fundamental to the council balancing its budget going forward.

The CIPFA team were very encouraged by their meetings with the new interim director of children's services, the interim head of safeguarding and head of children's finance. The team felt new, credible leadership was now in place to drive the required service improvements and budgetary savings forward. They were all clear about the size of the challenge, were aware of the high unit costs and had plans to deliver reductions both next year and in future years.

Specifically

- The focus on practice in the short term
- Alternative provision challenge at first stage – gatekeeping, including reviewing the current panel approval process to ensure that this is carried out in the right areas
- Market management- reviewing placement unit costs
- Reviewing current cases, particularly those in residential care

7.2. Recommendations

7.2.1. Revised Savings Plan

The Head of Finance to work with the new interim Director of Children's, at a strategic financial level, to develop and agree a medium term financial plan for 2016/17 – 2019/20 for the service that accords with operational delivery plans. In effect a 'co-owned' plan appropriate for the department but also one that can drop into corporate financial plans in a consistent transparent way.

It was felt that the £2m in the further corporate savings plan could be delivered to 2019/20 given the scope for savings and the new leadership. Indeed in total savings over a longer period of between £3m - £5m also being hoped for but not yet formally targeted in the longer term seemed reasonable albeit requiring significant management action to deliver and realism on phasing.

7.2.2. Market Management

The establishment of a new commissioning team with support from Hampshire who will challenge independent foster agencies and residential providers on a systematic basis to reduce costs is the right strategy in the view of the CIPFA team. In planning for this work the council should, if it is not already, liaise with neighbouring authorities who use the same providers:

- What are they paying for the same services?
- What approach have they taken to reducing costs?
- Is it worth having a joint approach to market management?
- What proportion of children looked after are in residential care in statistical neighbours?

8. £50m Investment Fund

8.1. Observations

The team examined the proposed fund agreed by Council in September 2016. It was noted that the proposal was at a very early stage and roles and responsibilities needed to be established. There are a number of different interpretations as to what the fund can be used for. The CIPFA team refer to this as "mission drift". Members clearly want the fund to be used in Torbay but the schemes may not deliver the required financial return. The opportunities brochure "Invest in Torbay" produced by the Torbay Development Agency in the council's name to attract inward investment quotes the investment fund as supporting local investment and development opportunities and that the council is willing to co-invest. This may well be the case but any investment in these schemes will not produce a revenue return within the medium term to 2019/20. There is therefore a real risk of "mission drift".

The team were concerned about the scale and type of due diligence proposed, essentially Members would act as the review process based on recommendations from a new investment manager and the TDA in order to produce a balanced property fund. CIPFA's opinion is not a reflection on any individual within the Council or TDA but in short, while supporting the exploration of commercial opportunities, CIPFA is clear that the more commercial the council becomes the more 'savvy' it due diligence has to become as a result. In this case CIPFA would advise the council retain an external advisor to support the process and specifically provide an additional level of critique for each case for the benefit of members and the three statutory officers.

8.2. Recommendations

8.2.1. Employ a firm or recognised external expert on a retained basis to provide a critique to all investment proposals that would make recommendations to the investment committee to balance TDA recommendations.

8.2.2. The role of committee is to decide on the investment after receiving both sets of advice.

8.2.3. Definitive legal advice in respect of Torbay's intended approach needed for safe execution; relying for due diligence assurance on the opinions secured by other councils for such a new initiative is not sufficient in this case.

9. Housing Company

9.1. Observations

A number of local authorities are setting up housing companies to fill gaps in the market, especially in providing low cost housing to avoid homelessness costs and making a financial return.

The Saville's report showed a number of scenarios such as buying off plan which would possibly cost more but an income stream would quickly follow. The team were well aware of their lack of expertise and expressed concerns about feasibility. The five year land supply data would enable the council to assess what was coming forward and therefore indicate whether there was a market or not for any particular site. There needs to be a further appraisals once sites are identified and a viability appraisal made for each.

Before embarking on a similar course of action key officers need proof of concept, visiting local authorities and seeking specialist advice before embarking on a plan. They need to determine what motivated the authorities to set the companies up, the pitfalls, costs and returns. Such a scheme only works if supplying a gap in demand. It needs to be established that there is a significant gap in the market to build and buy enough houses for rental. Without scale, the set-up and running costs of the scheme could well mean the arrangement losing money. Given the status of current plans the scheme is unlikely to give a revenue return before 2019/20. The Saville's report used as a basis for the scheme is fairly generic and includes capital appreciation as a benefit. Care needs to be taken not to assume capital growth as a revenue benefit.

There appears to be a lack of expertise in those involved in the project and officers you would expect to be involved are not. For example the homelessness team, filling gaps in demand here would avoid costs, and the planning team who produced the local plan and, five year land supply. Are there available sites for sale with planning? Schemes such as this take years to come to fruition even from experienced house-builders. If there is a gap in the market they generally fill it.

9.2. Recommendations

9.2.1. Employ a specialist to prepare an options appraisal, this would include who would manage the properties for example using an established landlord or setting up an in-house team, what the costs of set-up would be and the timescale for delivery.

9.2.2. Set up a multi-disciplinary project team including homelessness, planning, finance and legal to determine what is the market need.

9.2.3. Commit appropriate resources to produce a quality and credible execution plan.

10. TOR2 partnership between Torbay Council and the Kier Group

10.1. Observations

The council is a 19.9% shareholder in TOR2, a partnership agreement of approximately £10m pa covering Waste Collection, Public Toilets and Highways that expires in May 2020. The contract allows either an extension at this point or it needs to be retendered.

In the opinion of the CIPFA team, the council is not a true partner in that it does not have key financial information on an open book basis and does not benefit from any efficiencies in the form of dividends   Kier have been unable to gain other work from neighbouring authorities and given the size of the contract and time to expiry are unlikely to put any significant investment financially or managerially to do so before May 2020.

There is a lack of client side expertise or contract management both from a service and a financial perspective. Costs of public toilets and waste collection are comparatively high and discussions with Kier do not seem to give options to reduce them.

A tender process would take at least 18 months so it is important that the council are clear what their future needs and option are over the next few months. The strategy for engagement with Kier to deliver savings in the medium term but with the contract expiry date shortly after, needs to be clear articulated and organisationally understood. In particular, given that juxtaposition of nearer term contract saving but with the natural expiry date shortly after, there must be a risk the intended savings will not arrive in the planning period to 2020.

The council needs to ensure it gets the right expertise.

10.2. Options to be explored

10.2.1. Splitting Waste Collection from other elements of the contract. A decision was taken to increase the size of the contract by putting different elements in it. This has not led to the efficiencies expected and an opaqueness about costs and overheads. Merging waste collection with neighbouring authorities. Seems a logical step but   an expert procurement view needs to be taken about whether reducing the size of TOR2 configuration as a result would reduce savings possibilities.

10.2.2. In respect waste and other waste partners, the council would need to be flexible about its requirements, eg neighbouring councils co-mingle waste, one method would need to be agreed on. When does the neighbouring council contract expire? If before a decision needs to be taken quickly, eg if 1st April 2019 the council could be part of the contract but come into it from May 2020. If it's April 2021 they could extend the Keir contract by a year or the other council could join the contract later.

10.2.3. If a decision is taken to split options need to be agreed on highways and public toilets. A wider highways contract could be a feasible option, sharing client costs. Public toilets could be run by a smaller company with nil subsidy, charging for the toilets or by the council.

10.3. Recommendations

10.3.1. TOR2 options needs to be one project with its own board and project management resource. Appropriate in-house specialists need to be used to determine options and external specialists used minimally for determining what the market will offer to assess what savings could be delivered.

11. Income from council buildings/town centre regeneration

11.1. Observations

The council have produced an exciting, ambitious vision of how it could regenerate the bay and its major towns and attract investors. Once delivered the improvements could not only give the council a return as a land owner but an ongoing return as an investor. It will also increase business rate and council tax income.

It was unclear what the overall business case and strategy was for the improvements. The council have no development finance expertise and could learn from other councils, eg Bournemouth or Flintshire about potential financial models.

There is a lack of clarity in the plan about capital receipts against revenue receipts. Some capital receipts could be used to reduce borrowing costs or in lieu of borrowing for other investments. There is a judgement to be made around gaining short-term capital receipts against longer term returns for each site.

The strategy is the right one but is unlikely to give the revenue return anticipated in the planning period to 2019/20.

11.2. Recommendations

11.2.1. The council needs its own board to determine its future development strategy with the TDA as an advisor to it. This would need to include using development finance and legal expertise in addition to that provided by the TDA. This would determine whether it set up a JV with a single developer or developed on a site by site basis.

12. Income Generation

12.1. Observations

The council is an outlier in respect of income levels, some of this is due to how income has been treated in returns where services such as adults have been out-sourced with income netted against expenditure. Further work would be needed to determine what income levels are in these contracts to determine whether there are opportunities.

Compared to comparator group

- Cultural and Heritage £1.37 average £5.35
- Recreation and sport £0.35 average £12.60
- Open spaces £0 average £0.86
- Tourism £0 average £0.86
- Library £0.59 average £0.90
- Theatres and public entertainment £0.41 average £4.17
- Foreshore £0.19 average £2.21
- Sport and recreation £0.19 average £9.75
- Community Safety £0.15 average £1.24
- Waste management £0.32 average £4.67 Possible increased income through garden waste collection to increase recycling rates and generate income?
- Economic Development £0.14 average £3.02

12.2. Recommendations

12.2.1. In some areas the council have not taken income for premises in exchange for services provided. These areas need to be separated out, income coming to the council on a commercial basis and choices over the level and cost of services provided made.

12.2.2. The diagnostics need to be examined by the finance team to determine the reasons for differences to determine opportunities.

12.2.3. Parking income appears low, political choice being exercised. These decisions need to be revisited and comparisons made to others. A 20% increase, moving from £1.00 to £1.20 per hour would not seem high compared to others that would assist the council achieve its financial target.

13. New staff holding company

13.1. Observations

The council is considering setting up a new Teckal company and closing the pension scheme to new entrants. It needs to consider how this would work from an operating perspective and the potential demotivating effects on staff aside to the potential cost savings. The council already has a Teckal company, the TDA, would it use this as the host? Would new holding company staff work side by side with council staff and be managed by them? If the council is downsizing what level of new staff will it employ? Would the new scheme be for all staff and would this be a disincentive to senior staff joining Torbay or would they want a higher salary to compensate not being in the LGPS. Would hard to recruit staff prefer to join neighbouring authorities to gain pension scheme membership, eg Social Workers?

In fairness, the Council recognise the plan is at a very early stage and the target savings of £300k by 2021 is broad brush as a result. However it is not clear how it has been arrived at and there is a particular concern that the focus has been on the future differential savings in headline employer rate of a new scheme compared to the LGPS with insufficient thought to the impact on the remaining LGPS rate.

In particular, the fact that past service deficits would still have be found but on shrinking numbers with the LGPS and even more importantly that the employer rate on the 'residual' LGPS would rise significantly as effectively it becomes a closed scheme. This in the sense the actuary can no longer rely on natural turnover bringing in typically young staff. In short, the actuary will have to assume the scheme as matured very significantly with a significant knock impact on employer contribution rates as a result.

An alternative maybe to delete posts through other efficiencies.

13.2. Recommendations

13.2.1 Before embarking on expensive legal fees on potential new company models the council should seek the specific advice of the Scheme Actuary for the LGPS. The scheme is administered by Devon County Council but Torbay is a scheduled body and entitled and expected to seek the actuary's advice direct. The consultancy fee involved fee will represent value for money in how this overall concept develops or not.

14. Other Areas of Potential Saving to Explore

14.1. Observations

The team were only with the council three days and focussed on the eight key transformation projects. There are a number of options that hadn't been explored and there may be more that would in some cases represent better options than those planned.

14.2. Potential Savings

14.2.1. Council Wide Digital Strategy

The ICT Strategy expired in 2014. The Council has invested in technology such as VOIP telephony which enables more agile working but are not using it to its full advantage. If fully utilised the authority could reduce its office base requirements.

The abandoned calls in some instances are redirecting customers to the council website and self-service. There could be advantages in assessing customer demand, taking actions to remove failure demand and encourage more self-service to achieve further staffing efficiencies. This could in turn mean needing less office space.

14.2.2. More ambitious council tax collection rate

The councils in-year collection performance is low, 96% and appeared that a more ambitious level could be targeted. The council though separately budget for a surplus and plans are in place to improve this further. However no clear execution plan was available and responsibility for delivery was not aligned to those responsible for the service either. The council tax team are proportionately larger than average with a collection costs per head of £10.11 compared to £7.89 within the comparative group. The team would benefit from a lean review and improved processes. Efficiencies re-invested in improved collection performance.

Work has been introduced on single person discounts, other discounts and sanctions. Payments by direct debit needs to be driven, saving costs and improving collection rates.

14.2.3. Riviera Subsidy.

The CIPFA team are not recommending it per se but in the context of those savings choices it faces it must be right to leave no are unchallenged or off limits from the outset. This subsidy could be an example. The council could plan to aim to move to a nil subsidy over the plan, ensuring that it works closely with the Riviera to avoid closure. An open book review of the organisation should be commissioned with recommendations as to how the service could break-even or even return funds to the council.

14.2.4. Sports Contract subsidy saving

The market is small and with some soft market testing it maybe possible to determine whether the council could consider contract extension at nil subsidy before the expiry of the contract. Clearly legal advice would be required. Most leisure contracts now are at nil cost to councils.

14.2.5. Christmas Leave and leave purchase

Both are relatively easy to implement and if both used would seem to give a saving of approximately £300k pa. This would be easier to implement than wage freezes outside of national conditions or a staff holding company.

14.2.6. Revised Treasury Management Strategy,

If the authority is to make substantial borrowings we would recommend some specialist TM advice to make the most of current market conditions and its own internal funds as well as borrowing from the PWLB. Options have been explained to the Head of Finance. In addition it is possible to adopt a little more risk, and more returns , while still remaining comfortable within the average type strategy of the sector.

14.2.7. Concessionary Fares

The council spend £4.4m on concessionary fares, savings of £250k are planned but this would still mean the council are comparatively expensive. Visits to other statistical neighbours, certainly coastal ones with similar demographics such as Bournemouth and Poole with much lower subsidies should be explored to understand whether there is more scope to reduce costs.

15. Risks/Concerns/Issues

15.1. Observations

The council has a number of areas that present financial risk to its future, both in respect of controlling costs and some of its potential savings option. It needs to ensure it is prioritising the management of these risks and is using the right level of resources to do so. Some have been referred to in the report already, this section consolidates the major ones. The CIPFA team examined the eight major savings options, the majority were either deemed unrealistic in terms of the savings anticipated or undeliverable in the proposed timescale. In total they are intended to deliver approximately £4m of the savings required, mostly in 2018/19 and 2019/20 alternatives will therefore need to be identified as soon as possible.

15.2. Adults – ICO Options Appraisal – Risk Share

Outlined in section 7 the current risk share agreement means the councils largest budget is adding to rather than reducing the gap. An options appraisal to bring the financial management of this area back into control needs to be prioritised.

15.3. Children's Safeguarding – Trust/ICO/Partner

Outlined in section 8 the council needs to ensure that any future options do not leave it financially vulnerable. It is extremely high cost in this area and certain scenarios proposed; an independent trust or transfer to the ICO may mean it has no scope to reduce its costs.

15.4. Council Tax Reduction Scheme

The council currently give a maximum discount of 75% to working families, charging them a minimum of 25% of their council tax bill. There are already difficulties collecting this and a high write-off rate. There is a lack of data on the impact the charge is having on vulnerable families. Both staff and members are concerned about the proposal to increase the charge. Reducing the discount to between 65% and 45%. This would leave the council as very much an outlier in terms of charging, a neighbouring council for example charges nothing to this group.

It is unlikely that increasing the charge will give anything like the additional income the council envisages. It should certainly delay any implementation to later years, considering the wider implications and what the scheme could deliver. Being such an outlier without clear equalities impact data would risk legal challenge, adding to the councils costs and taking its scarce management resources.

15.5. New staff holding company

The new staff holding company, to be set-up to reduce pension costs needs to be considered in more depth against potential savings. With just this as its purpose could be extremely demotivating and counter-productive for the staff employed, be a costly exercise in both scarce funds and limited management resources and not deliver its objectives.

15.6. Capacity in Finance – transformation/regeneration/children’s

The council have a very small finance team, 10 with just four qualified accountants. The CIPFA team were impressed by the finance staff they met. However, there is a lack of capacity and knowledge in the team that the council requires to help support its plans going forward. Specifically some of the transformation projects, development finance, children’s safeguarding and adult care.

15.7. Lack of focus on execution

There are a large number of savings projects that have been usefully consolidated into one prioritised programme. There is however in most cases no detailed plan and a lack of focus or resources to execute the plans.

16. The CIPFA Team

Sean Nolan CPFA, Director of Local Government & Policing CIPFA. Overall Director for this assignment.

Sean Nolan, formerly Chief Finance Officer in the Office of Kent's Police and Crime Commissioner (OPCC), is CIPFA's Director of Local Government having previously spent 6 months working closely with CIPFA as Senior Local Government Advisor, during which time he has been central to the shaping of the organisation's policy in areas such as 100% retention of business rates. Before joining CIPFA, Sean spent four years with OPCC, where he oversaw a period of financial transition and was a central part of the team that garnered praise from Her Majesty's Inspectorate of Constabulary (HMIC), which last year pronounced Kent Police's financial sustainability as 'outstanding'.

Sean has 30 years' experience in public finance roles and prior to the OPCC, he spent over 16 years as treasurer for Buckinghamshire and East Sussex County Councils respectively. At East Sussex he also served as Deputy Chief Executive with the wider responsible for the broader resource portfolio covering ICT, procurement and property. Sean is a former President of the Society of County Treasurers, (SCT), The Police and Crime Commissioners Treasurers Society (PACCTS) and the Association of local Authority Treasurer Societies (ALATS). Sean has also served as Financial Advisor to Parliament's Communities and Local Government Select Committee and been a core advisor to the Local Government Association. Sean will provide oversight of all aspects of this project.

Peter Robinson CPFA, MBA, independent consultant and experienced s151 officer

Peter has worked in local government for over 30 years, the last eight as a director and s151 officer of two unitary authorities, Bristol and Herefordshire. He has a track-record of making an immediate impact, both in respect of delivering change, reducing costs and improving services. As well as finance Peter has also had responsibility for property, IT, HR and procurement and has managed a local authority trading company as MD.

Of particular reliance to this assignment is his work in Herefordshire where on appointment they had a projected £4.5m overspend on £150m budget which he helped to reduce to zero in six months through leading implementation of cost-recovery actions with the management team. He also led the development and achieved management and political support for a three year budget, 14/15 – 16/17 with £33m savings that is on target to be delivered in full and agreed a medium term financial strategy and savings plan to 2019/20. He has significant development finance expertise, including finance lead on a £250m transport scheme in Bristol and both finance and property lead on major regeneration in Herefordshire.

Donna Parham, ACMA, CGMA, Assistant Director – Finance and Corporate Services (s151 Officer), South Somerset District Council

Donna has a wealth of experience in local government and has been the S151 Officer at South Somerset District Council for 10 years. The authority has a £4.8m savings target over the next four years and she is a member of the boards that have been set up to achieve this through transformation, income generation, and joint working with a neighbouring authority. She also oversees asset management, procurement, risk management, ICT, customer services, and revenues and benefits. She is the lead officer for the Audit Committee and a Director for the South West Audit Partnership. She has held a number of technical roles during her career including treasury management, capital accounting and auditing.

Quality standards and controls

CIPFA is BS EN ISO 9001:2000 and 14001:2004 Quality Management and Environmental systems standard accredited. The ISO 9001:2000 standards are based around the principles of customer satisfaction, continual improvement and the development of a process based quality management system.

All CIPFA report-based projects are subject to a peer review process as part of our commitment to Quality Assurance. We apply a range of project controls, quality assurance, toolkits, best practice, programme and project management including best practice as embodied in OGC’s programme management, PRINCE2 and the management consultancy statement of best practice.

17. Meetings Held

- Steven Parrock, Chief Executive
- Martin Phillips, Head of Finance
- Andy Dempsey, Interim Director of Children's Services
- Anne-Marie Bond, Assistant Director of Corporate and Business Services
- Fran Hughes, Assistant Director of Community and Customer Services (Assets and Investments)
- Caroline Taylor, two meetings, as Director Transformation and Director of Adult Social Care
- Lisa Chittenden, Transformation Programme Manager
- Lisa Finn, Transformation Programme Finance Manager
- Rob Parr, Principal, Accountant, Children's
- Who: Lin Ferguson, Assistant Director for Children's Safeguarding
- Bob Clark, Executive Head of Customer Services
- Ian Davey, Principal Accountant, calculates the Council Tax Base
- Fran Hughes, Assistant Director of Community and Customer Services (Assets and Investments)
- Fran Mason, Head of Partnerships People, and Housing
- Kevin Mowat, Executive Head of Business Services (Assets and Investments)