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Date: Friday, 24 November 2017

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Dear Member

OVERVIEW AND SCRUTINY BOARD - WEDNESDAY, 29 NOVEMBER 2017

I am now able to enclose, for consideration at the Wednesday, 29 November 2017 meeting of the Overview and Scrutiny Board, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
2.	Minutes	(Pages 5 - 6)
6.	Heart of the South West Productivity Strategy	(Pages 7 - 43)
8.	Revenue Budget Monitoring	(Pages 44 - 57)
9.	Transformation Project - Libraries	(Pages 58 - 84)

Yours sincerely

Kate Spencer
Clerk



Minutes of the Overview and Scrutiny Board

11 October 2017

-: Present :-

Councillor Lewis (C) (Chairman)

Councillors Barnby, Bent, Bye, Darling (S), Stockman (Vice-Chair), Stocks, Tolchard and Tyerman

(Also in attendance: The Elected Mayor and Councillors Haddock, Mills and Parrott)

25. Minutes

The minutes of the meeting of the Board held on 6 September 2017 were confirmed as a correct record and signed by the Chairman.

26. Update of Torbay Economic Strategy

The Board considered the draft Torbay Economic Strategy which was due to be considered by the Council at its meeting on 19 October 2017. The Strategy provided a five year plan for growing Torbay's economy with an action plan focussing on sustainable productive growth.

Resolved: that the following views of the Board be forwarded to the Council:

The Board recognises the importance of achieving the objectives set out in the Economic Strategy in meeting the ambition of the Corporate Plan to support and improve the economy in Torbay. As such the Board supports the broad direction and the objectives of the proposed Strategy.

The Board has heard that, whilst there is currently adequate economic development funding available to pump-prime the strategy, overall delivery will be reliant upon many other funding streams. It is imperative, therefore, that economic development resources continue to be available and the Board will take this into account in considering the Mayor's budget proposals for 2018/19 and future years.

27. Addressing the Challenges of Coastal Communities

The Board considered a discussion paper prepared by the Director of Economic Strategy and Performance at the TDA on the potential to create Coastal Enterprise Zones.

Resolved: the Board support the proposals within the discussion paper on the creation of Coastal Enterprise Zones and piloting such an initiative in Torbay.

Chairman



Meeting: Overview and Scrutiny Board **Date:** 29 November 2017

Wards Affected: All Wards

Report Title: Draft Heart of the South West Productivity Strategy

Is the decision a key decision? No

When does the decision need to be implemented? By 14 December 2017

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Supporting Officer Contact Details: Kate Spencer, Overview and Scrutiny Lead, 01803 207014, kate.spencer@torbay.gov.uk / Alan Denby, Director of Economic Strategy and Performance, TDA

1. Purpose and Introduction

- 1.1 The Heart of the South West (HotSW) Partnership consists of the County, Unitary and District Councils covering Devon and Somerset as well as the two National Parks, three Clinical Commissioning Groups and the Local Enterprise Partnership. Whilst there remains a lack of clarity over future devolution deals, the Partnership is continuing to work together to pursue its objective of increasing prosperity in the region.
- 1.2 The Partnership has produced the HotSW Draft Productivity Strategy which outlines a vision for driving productivity and prosperity for all in the Heart of the South West. This has been prepared taking account of the evidence base which formed the Green Paper “Driving Productivity in the Heart of the South West” and the feedback received during that phase of engagement.
- 1.3 The overall aim of the Productivity Strategy is to increase productivity and prosperity for all. Within this there are three objectives:
 - Leadership and knowledge
 - Working and learning
 - Connectivity and infrastructure.In addition, there are three cross cutting themes:
 - Inclusive growth
 - Golden opportunities
 - Natural capital

1.4 The Partnership is seeking the views of those in the private, public and third sector on the draft Productivity Strategy. Engagement events, lead by both local authorities and the LEP, are being held across the region. In addition a questionnaire is available at www.torbay.gov.uk/devolution. The consultation ends on 14 December and the Partnership (through the newly established Joint Committee) will consider feedback in early 2018.

1.5 The framework of a Torbay Council response to the consultation is attached for the views of the Overview and Scrutiny Board ahead of the Executive Head – Business Services formally submitting the response.

2. Proposed Decision

2.1 **That the Board consider identifying any issues it wishes to see included in a Torbay Council response to the draft Productivity Strategy.**

3. Reason for Decision

3.1 To enable non-executive members to share their views.

Appendices

Appendix 1: Draft Productivity Strategy

Appendix 2: Draft Torbay Council response



Stepping up to the
Challenge

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Heart of the South West **Partnership**

Productivity Strategy - for discussion and consultation - 2017

www.torbay.gov.uk/devolution

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Measuring Change



Executive Summary

Our ambition is simple - to double the economy in 18 years. In doing so, we will improve the productivity of our businesses, maximise our areas of world-class potential, provide better jobs and generate increased prosperity for our communities.

It is ambitious - aiming to double the size of our economy by 2036.

It is focused - choosing those programmes which will have the greatest effect.

It is shared - with a unique partnership committed to delivery.

It is evidence-based - building on the drivers of productivity and our unique opportunities.

We have identified three strategic objectives which will achieve this ambition:

- developing the leadership and knowledge within businesses in our area
- developing the ability of people in our area to work and learn in a rapidly changing global economy
- strengthening the connectivity and infrastructure our businesses rely on to get goods to market and exploit new opportunities.

We set out ambitious programmes across each of these. We have identified our areas of world-class potential: in nuclear, aerospace and advanced engineering, marine, data analytics, rural productivity and health and care.

We will exploit these to bring new opportunities to our businesses and communities, and we will improve our productivity in a way which builds on the importance of our natural capital.

The Strategy is owned by all our local authorities, the National Parks, Local Enterprise Partnership and health partners. It will not be possible to deliver all our programmes immediately but we will work together locally, with other parts of the country, investors and with Government to secure the investment needed to deliver our potential.

Whatever the particular challenges we face now, this Productivity Strategy is looking ahead and preparing for the opportunities of 2036 and beyond. We will develop the foresight to understand the opportunities of the future and how to exploit them for our area.

Our aim is for our businesses, in whatever place or sector, to realise the benefits of becoming more productive - which, in turn, will lead to increased prosperity for our communities.

We will drive productivity and prosperity for all

Introduction

The Heart of the South West has an economy worth almost £35 billion, bigger than Birmingham. Our aim is to double that, to create an economy worth £70 billion of GVA by 2036, to create a region known for its dynamic, innovative businesses, its vibrant well-connected places, its rewarding jobs. A region where people can move through school, higher education, work and a rewarding retirement, all in an outstanding natural environment.

The Heart of the South West has a reputation for the best music festivals, amazing coastline, great food and drink, historic market towns and remote moorland. Yet, behind that is a dynamic, forward looking area with some of the country's most successful businesses, leading universities, the biggest naval base in Western Europe, the UK's largest infrastructure project, world-leading climate science and a whole host of cutting edge companies.

We value all of these things. It is the combination of innovation and heritage, of countryside and cities and of connectivity and community that makes the Heart of the South West special. It is why we would live and work nowhere else.

Nevertheless, our economy is not as strong as it could be and we need to be able to compete with the best. We need to be more flexible and resilient in the face of increasing uncertainty and change. We have to ask ourselves how we can be better at what we do - at all levels; and what we can do differently - to create a competitive advantage?

This Strategy is all about *unlocking our natural potential*.

We have the potential to build on our many economic strengths which

include a burgeoning knowledge economy, leading aerospace, nuclear, marine and agri-tech industrial specialisms; and internationally successful food and drink producers. However, we face significant economic challenges, the biggest of which is raising productivity levels in our area. Since the financial crisis we have raised levels of employment to rival some of the best performing countries in Europe, yet productivity within the Heart of the South West area has slipped against the UK average.

This Productivity Strategy is about delivering productivity improvements throughout our economy - whether for a small rural business or a multi-national manufacturing company. We want our most successful places and sectors to thrive, they are vital for all of us. But we also want to support all businesses that really want to grow and compete. We will tailor our responses to our different localities; it's about unleashing the potential of our places, be they urban, rural or coastal. The challenges and opportunities are different in each so the solutions need to reflect that.

We need to do more to improve our productivity as a *route to a stronger economy*.

This Strategy sets out how we will step up to the area's productivity challenge. It is unashamedly focused on raising productivity - which is what is needed to drive business success and deliver greater prosperity across our region.

Economies elsewhere will not be standing still. If we do not take significant steps to 'up our game', we run the risk of the productivity gap continuing to increase. In the end, this will lead to declining communities, reduced living standards, higher levels of poverty and a greater strain on public services.

Our ambition is to double the size of our economy by 2036



In preparing this Strategy, we have come together in a unique partnership. For the first time, all the district, county and unitary authorities have joined with the National Parks and the Local Enterprise Partnership to create and commit to delivering this Strategy together with the Clinical Commissioning Groups. We do so in collaboration with private sector and third sector partners and with government, using whatever resources we have and can attract.

The Strategy is a critical step in the longer journey that we want to take. Our partnership is united in its desire to step up and close the productivity gap, to secure the resources we need to do this and improve living standards for everyone in this area.

The Heart of the South West



- Key Road Route
- Key Rail Route
- Planned Infrastructure Improvements
- Proposed Infrastructure Improvements

- Principal Growth Areas	- Renewable energy potential	- Universities	- Innovation Centres	- Yeovil Aerospace	- Data Analytics Centre
- Secondary Growth Areas	- Enterprise Zones	- Science Parks	- Marine Technology	- Hinkley Point Nuclear Site	

The Heart of the South West

Welcome to the Heart of the South West

The Heart of the South West (HotSW)¹ covers the administrative areas of Plymouth, Torbay, Somerset and Devon, home to almost 1.8 million people, growing by 150,000 from 2015 to 2030. Over 600,000 of these people live in the six urban centres of Plymouth, Exeter, Torbay, Taunton, Yeovil and Bridgwater. The economy is worth almost £35 billion per year, which is bigger than that of Merseyside or Birmingham.

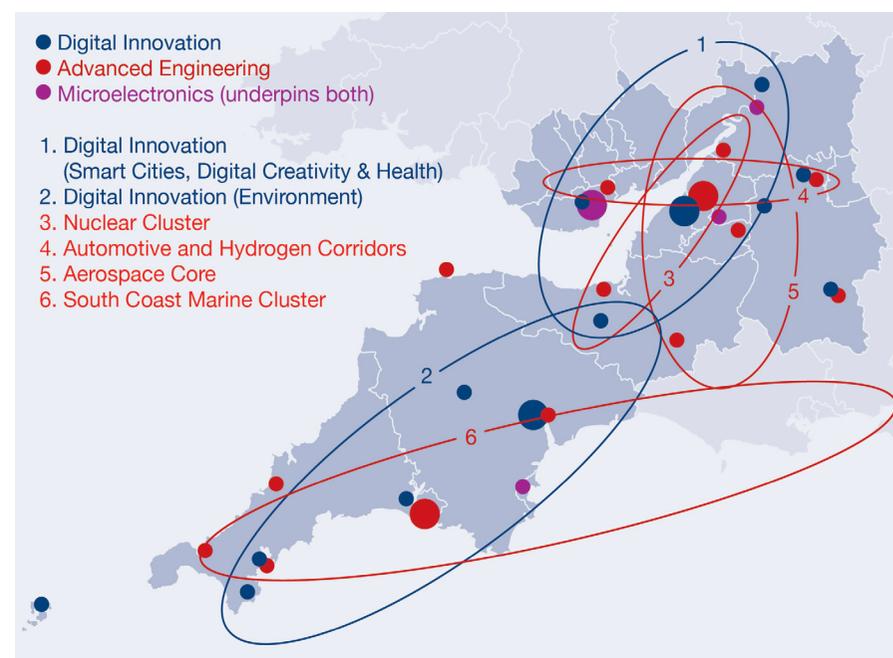
The HotSW has world class potential across several sectors which provide a springboard for productivity growth - in those sectors, through the supply chains and across the area. These are our 'golden opportunities'.

- Advanced manufacturing ranges from aerospace in Yeovil to a high tech, electronic and photonics cluster around Torbay.
- The coastal marine cluster, within which Plymouth sits, is home to a community of world-class businesses and marine research organisations.
- The new nuclear power plant being built by EDF Energy at Hinkley in West Somerset is stimulating the development of a nuclear cluster that stretches from Plymouth to Gloucestershire.
- Exeter has a concentration of climate and environmental science experts and Europe's most powerful supercomputer. The city-region is emerging as a cutting-edge place for enviro-technology and data analytics. Significant data analytic capacity is also provided in Taunton by the UK Hydrographic Office

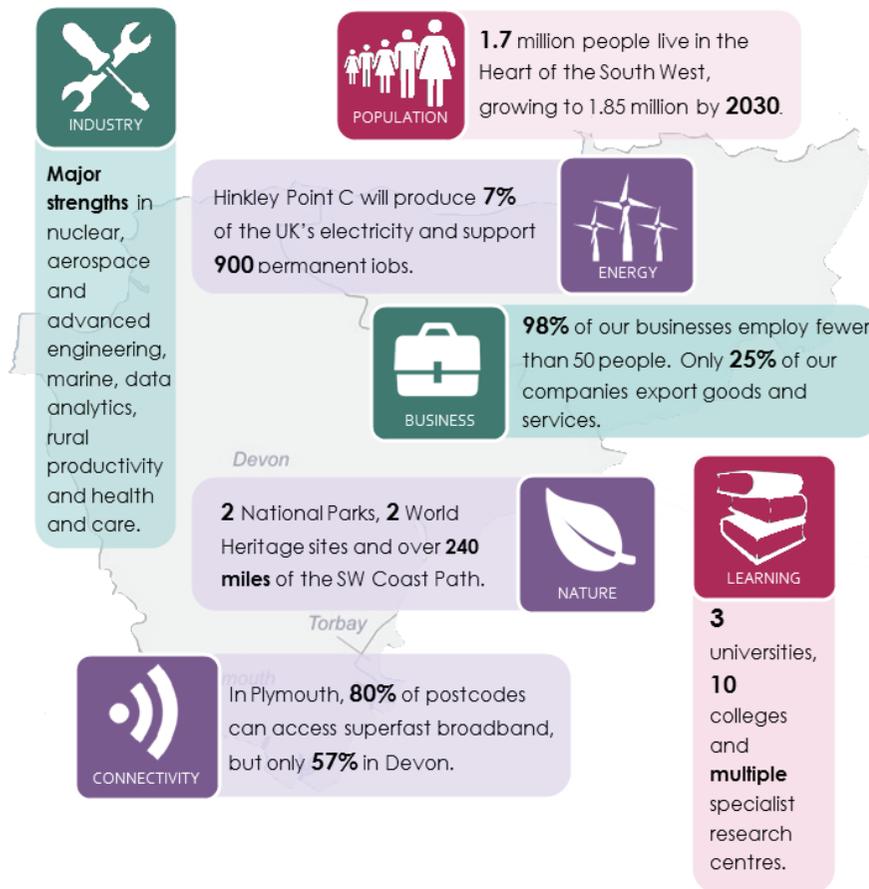
1. This section draws on an Evidence Report published in early 2017, and the responses received.

- The agri-tech opportunity extends as a high potential sector throughout Devon and Somerset.
- Expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay and Devon, provide the base for a healthcare cluster with real potential in the field of healthy ageing.

The South West England and South East Wales Science and Innovation Audit found that the area has major areas of world-class potential which map onto our 'golden opportunities' and which generate strong links with neighbouring areas.



The HotSW has a world class knowledge base which includes three universities, two medical schools, ten FE colleges, a specialist maths school and numerous research centres. Science parks at Exeter and Plymouth are building a cohort of innovation-led businesses alongside this.

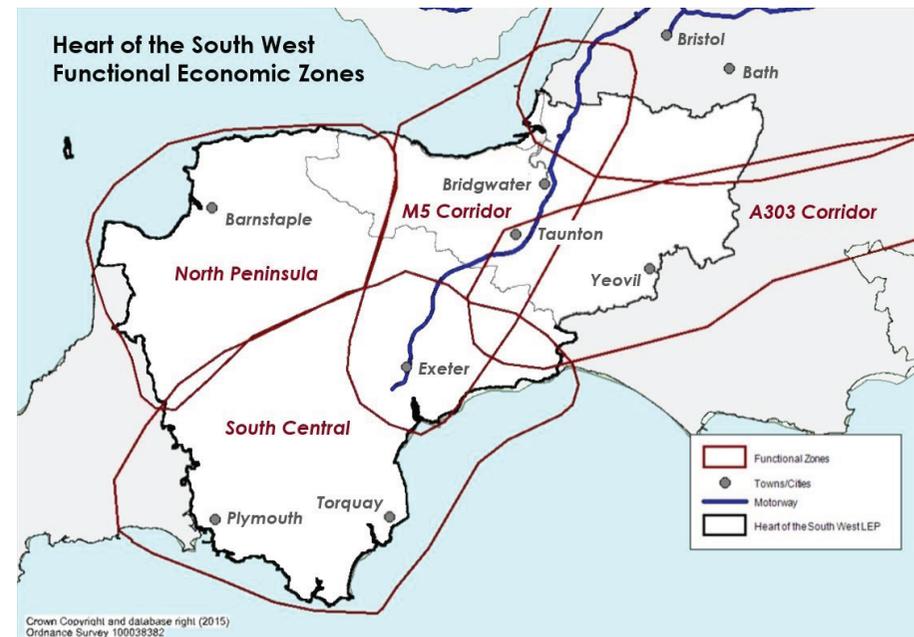


The HotSW also has a major tourist and visitor economy largely built on its natural capital that includes two National Parks, two World Heritage Sites and countless stunning beaches, attracting millions of visitors each year. The HotSW has a strong rural and agricultural core, making a significant contribution to the UK's production and export of foodstuffs. The area is known for its cultural assets and creative businesses - with Plymouth in particular having a burgeoning creative sector - providing real opportunities for the economy.

Additionally the HotSW hosts one of the highest concentrations of social enterprises and community based businesses in the country, with a combined turnover estimated at £1.5bn².

While our cities and urban areas play a crucial role in driving economic development and bringing together plans for employment, housing and infrastructure, we want to ensure that our market-towns, coastal and rural areas are economically successful in their own right. In achieving this, we recognise that economic activity overlaps across our different places and the wider South West.

Our foundations are strong but we have significant challenges to overcome if we are to realise our potential and deliver increased prosperity for all our citizens.



2. HotSW Social Enterprise Sector Report, Wavehill Social and Economic Research - March 2016

Key challenges

- Productivity has slipped from 88.1% of the UK average in 2004 to 86.6% in 2014.
- Productivity varies considerably across the HotSW and across sectors.
- HotSW businesses are less likely to export, invest in innovation and start-ups levels are lower.
- An ageing and decreasing workforce will exacerbate current skills shortages.
- Skill levels vary across the region and maximising the skills we have is essential.
- Our areas are interconnected and we need to improve connections between them.
- Connections from the HotSW to other parts of the UK must be strengthened.
- The population will grow by 150,000 by 2030, most of whom will be over 60.
- Our changing population needs new houses to live in.

The HotSW productivity gap is real and reflects issues with capital stock, sector composition, firm characteristics, labour skills, and access/distance, to markets. This suggests that, to improve overall productivity, the HotSW Productivity Strategy must tackle higher-level skills, capital investment and key infrastructure, highly targeted promotion of innovation, new business growth and competitive engagement.

The 'blend' of these will vary from place to place - one size does not fit all - which is why our partnership is so important.

Clearly this needs to be balanced with the aim of ensuring that businesses and communities across the area can benefit from the expected investments and improvements. The key to spreading the benefits and creating positive spillovers on a wider front is to develop knowledge sharing networks of co-operation across the economic area, spreading 'best practice' across spatial and industrial boundaries.

How HotSW Compares (2015 data)

Relative position among LEP areas



Although we are aware of a number of wider issues that will affect our economy, such as Brexit, population increases, less public funding - it is still not clear how these may play out in the HotSW. We need to maintain our understanding of these and other changes. However, as we look towards 2036 and beyond, a number of more fundamental drivers of change will impact on our region. We will need the foresight to track these drivers and make sure that our politicians, planners, and businesses have the information they need to adapt.



Global economy

As the economies of China and then India grow to become the biggest in the world, and move up the value chain, the economic axis will shift eastwards with profound effects on the UK and Europe. There is a need to understand the political and cultural changes that go with that shift.



Resources

Many of our most important resources are being used far faster than their replenishment rate - and so they are under real pressure. Oil, coal, fresh water, fertile topsoil, copper, uranium and some rare earths are approaching or past their 'peak'.



Technology

Predicting new technologies is fundamentally difficult. However we do understand some of the more profound trends. The use of big data to drive advances in remote sensing, Artificial Intelligence (AI), smart transport, infrastructure, city management and the internet of things will become more important, as will the use of nano and genetic technologies.



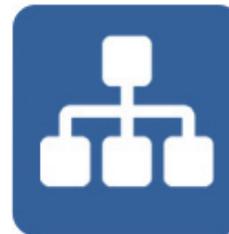
Climate change

There is now widespread agreement that the global climate is changing and may lead to 4°C of warming. The major effects of climate change are not just on weather patterns but on the global economy, sea levels, desertification, food shortages, mass migration and increased conflict.



Biodiversity

Population pressures, over-fishing, and intensive, industrial agriculture are already leading to massive loss of biodiversity and protected environments across the world. In the UK, as habitats come under threat from development, intensive agriculture and warming, some species will become vulnerable.



Inequality

The last 50 years has seen a huge reduction in absolute poverty - but a major increase in relative poverty. Economic inequality in the UK is now the highest in recorded history, despite overwhelming evidence to show that more equal societies are both happier and perform better economically.

STRENGTHS

- One of the largest non-metropolitan LEP areas outside London and the South East
- Most businesses are SME and provide excellent potential for growth and innovation
- Areas of world-class potential in nuclear, marine, aerospace & advanced engineering, data analytics, rural productivity, health & care
- Strong publicly funded R&D assets
- World class research base
- Over 1000 social enterprises
- Rich in natural capital

OPPORTUNITIES

- Potential to double to size of the HotSW economy to £70 billion by 2036
- Hinkley Point C
- Shortages in the workforce: an increase in wages could lead towards more capital-intensive modes of production
- Areas of world-class potential
- Network of Enterprise Zones
- South West Marine Energy park
- 'New world' potential to realise high growth in the knowledge economy
- Potential growth corridors between key locations
- Potential to increase exports
- Leverage world-class research base to raise innovation
- Replacement for CAP
- Brexit

WEAKNESSES

- Low levels of innovation in products and processes
- Low rates of business 'churn'
- Fewer than average large and medium sized companies and smaller businesses less able to absorb advice/ support
- Businesses less likely to trade across Europe or other parts of the world
- Peripheral area with distributed population
- Time and distance to major markets
- Housing availability and affordability

THREATS

- Ageing and decreasing workforce exacerbates skills shortages
- Low levels of business investment in innovation
- Failure to raise productivity drains talent, investment and businesses
- Uncertainty over CAP
- Risk of being left behind as the economy changes: HotSW ranks amongst the least knowledge driven economies in the country
- Resilience of key transport corridors
- Disruption from Brexit, including potential loss of labour in some sectors

Our Vision

Our vision is for all parts of the HotSW to become more prosperous, enabling people to have a better quality of life and higher living standards. To achieve that, we have to create a more vibrant and competitive economy where the benefits can be shared by everyone.

For us, this means stimulating a significant and sustained increase in productivity.

This is because:

- More productive businesses generate more rewarding jobs and higher wages which in turn generate more wealth - helping to create stronger communities through improvements in living standards in our towns, cities and villages;
- With limited public funds, a focus on increasing productivity in an inclusive way will reduce the burdens on the public purse while increasing quality of life and local and national tax take, and lead to better public services.

The public and private sectors in the HotSW are therefore working together on delivering this strategic approach to productivity-led growth. Our aim is to make sure that businesses across the area, in all sectors can realise the benefits of growing productivity - which will lead to increased prosperity for our communities.

Our residents, businesses, communities and public services strongly support this approach and have driven its development.

This collaborative vision for successful and prosperous lives in a fantastic working, living and natural environment - in other words productivity and prosperity for all - is what our Productivity Strategy is all about.

We will drive productivity and prosperity for all

This Strategy is not a broad strategy for the economy; it has a relentless focus on productivity. It will deliver benefits for our businesses - big and small - and contribute to the important national objectives outlined in the Government's Industrial Strategy.

We acknowledge the impact of the five drivers of productivity: skills, innovation, enterprise, competition and investment in physical capital of all kinds. In order to grow the economy and achieve higher living standards across the area, we also need to consider:

- Our geography: by connecting our communities and businesses to opportunities, both physically and digitally;
- Our housing: by ensuring that there are enough houses in the right places for our workers;
- Our natural capital: by working within natural limits to create value for the economy;
- Our demography: by making more use of the talents within the older population and building strong sectors to support their needs;

- Our under-employment: by targeting employment opportunities at groups with high levels of part-time, seasonal or low wage jobs;
- Our image: by showing what we have to offer and how we are willing to go the extra mile.

Cross Cutting Themes

Businesses are the engine of our economy and the Strategy is strongly focused on supporting their needs but this must not be at the cost of our people or our environment. We will act on four principles that reach across all our work as we deliver our challenging ambitions for increased productivity. These are:

- Inclusive growth for our communities and places
- Building on our golden opportunities
- Valuing our natural capital
- Maximising the potential from digital technologies

Inclusive growth for all our communities and places

We need to make sure that everyone in the HotSW has the opportunity to benefit from, and contribute to, our productivity growth, regardless of status or location. We know there are unemployed people who need support to prepare them for work. We also know that many areas continue to be affected by deprivation, particularly in some of our bigger towns and cities but also some rural and coastal communities. In these places, the number of people claiming unemployment-related benefits can be more than three times the HotSW average.

Finding the measures to generate productivity growth in an inclusive manner, so that the benefits are felt through the breadth of society, is an important consideration.

Our activities and investments will be on offer right across the region and we will be flexible in how we deliver the Strategy in order to respond to the needs of different places and business sectors.

Building on our golden opportunities

We recognise that the HotSW has economic issues that it needs to address. However, we want to see these as opportunities, rather than hurdles. In doing this we want to make use of our 'golden opportunities' - our competitive advantages which can be catalysts for change. We have world class capabilities in high productivity sectors which stretch across different geographies in the HotSW and beyond. Our quality of life is supported by our stunning environment, strong and enterprising communities as well as cultural heritage spanning from the sailing of the Mayflower to the world-famous Glastonbury Festival. In delivering our productivity growth, we want to ensure that the experiences and benefits from our golden opportunities can be cascaded and transferred across all our activities to ensure the widest benefits. Our golden opportunities have the potential to link geographies and sectors both within and beyond the HotSW.

Valuing our natural capital

The economy and the environment are closely interrelated. Natural capital is the foundation of all wealth, consumption and production. Materials and energy flows from and to the environment are vital elements of the economic process on both the demand and supply sides of the market. They underpin the processes of employment and productivity that drive growth and living standards, and, thereby, they promote wider wellbeing.

Recent research has shown that the environmental economy represents about 8-10% of total annual economic output and employment. The natural environment on which the economy depends is a significant economic asset in itself, and should be invested in, improved and protected. Furthermore, environmental assets are likely to become more valuable over time in response to rising scarcity and increased amenity and use values.

Using digital technology

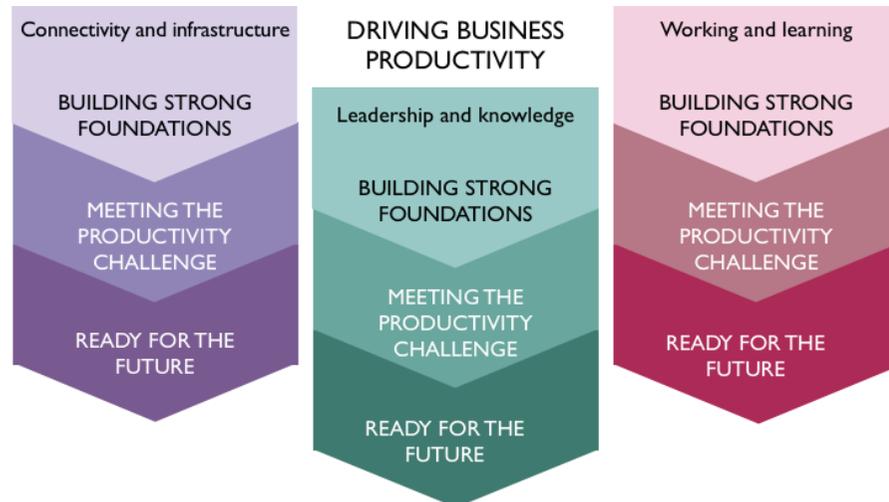
Digital technology has become a utility like energy or water, and drives social interactions, education and communication in almost every household. In parallel, it has also changed a range of business processes from basic invoicing, through to big data analytics and bespoke manufacturing. The transformative effect this has had on the relationship between businesses, customers, products and services, means that all businesses are having to think about how they adopt and utilise technology to interact with consumers and with each other. As a result, all businesses now need to be 'digital' businesses and therefore digital take up is key.

Our evidence base feeds our vision and our cross-cutting themes. We know our potential and the challenges we need to address. In the following pages we describe how we will deliver a transformation in our area's economy by 2036.

Strategic Objectives

To deliver our vision, we will pull together our evidence base and cross-cutting themes into activities that will drive up productivity in the economy and help everyone benefit from that improvement.

We will need to take advantage of all the opportunities that we have - unlocking the natural potential in our people, in our environment and especially in our businesses. Businesses are at the heart of creating prosperity and our three objectives of Leadership and Knowledge, Connectivity and Infrastructure and Working and Learning are all targeted at enabling our businesses to grow. *All our key activities will be aimed at improving productivity.*



A range of interventions will support growth and innovation right across our area and with any businesses that wants to improve their productivity. **This is part of building strong foundations across our area.**

However, we will also step up our interventions to focus on those businesses, places and activities that will have the most impact on **meeting the productivity challenge**. These provide the best chance for transforming the economy.

Our evidence shows that the next 20 years will present several major challenges and opportunities. Some of those are known now, others are yet to emerge. Some will be local and within our ability to influence, others will be global in scale. With a Strategy looking to 2036 and beyond, it is essential that we are **ready for the future**, working as a partnership and as an area to look forward to identify these and be able to act accordingly.

To achieve these objectives, we will have to maximise:

- **opportunities from our areas of world-class potential:** nuclear, aerospace and advanced engineering, marine, data analytics, rural productivity, health and care;
- **management capability:** supporting businesses to develop the management skills to grow levels of innovation, export and enterprise is a priority;
- **the potential of our knowledge and research assets:** particularly in Advanced Engineering and Digital Innovation (as identified in the Science and Innovation Audit) to act as a catalyst towards driving innovation within businesses;
- **our pool of highly skilled people:** develop, attract and retain qualified and adaptable people, ensuring those in education and in work can fulfil their potential by developing their skills as demand changes in the coming years;
- **the potential of our communications infrastructure:** ensuring that our road, rail and broadband networks are as resilient and efficient as possible and ready for future demands;
- **the opportunity provided by our natural capital:** preserving and enhancing what makes the HotSW a special place to live and work and finding new ways to create value from those natural assets.

Leadership & Knowledge

Why is this important?

Business is at the heart of our region's economy. It is business that creates the jobs and opportunities for our people; it is business that creates value and profit; and it is business that provides most of the goods and services. We need to work with business to grow faster, compete more successfully and to innovate constantly. In turn, those successful businesses will provide better, higher-paid jobs; they will produce goods and services that markets need; and they will generate wealth.

The first of our key priorities is to help more businesses to grow and become more ambitious, and innovative. Our evidence shows that one of the most effective ways of doing this is to develop their leadership and knowledge.

Understanding the issues

To increase average productivity, we can either enable our existing businesses (their workforce and capital) to be more productive, or we can attract additional businesses in higher-productivity industries. This helps to expand the overall business base and workforce with a higher balance of productive economic activities. We aim to do both, the latter approach being targeted to exploit our area's competitive advantages. These are our identified Golden Opportunities.

Data shows that the economy is approaching 'full-employment'. Future growth is therefore to be achieved by a focus on the value of future jobs, i.e. productivity.

Over the last decade, the HotSW's productivity has slipped though it

varies enormously from place to place and between different sectors - often for well-known reasons: under investment in skills and training; low levels of investment in research and development; lack of effective leadership and a poor record on innovation.

We also know that:

- A lack of skills has been highlighted as a key barrier to productivity growth, with some SMEs unable to easily find and acquire the necessary talent to drive growth
- Internationalisation and innovation have a major role to play in contributing to SME productivity growth.

What we will do

Aspiration productivity and prosperity for all	To substantially improve the productivity of businesses in the area
High-level Aim more productive businesses	Help develop innovative, ambitious, growing businesses that can compete internationally
Strategic Objective leadership and knowledge	Programmes <ul style="list-style-type: none">• Management excellence• New markets, new opportunities• Remove barriers to expansion• Attract talent and investment

A relentless drive for productivity means that we aim to support business improvements at all levels - whether for start-ups, for growing SMEs or within key industries.

Management excellence. In each area, we propose a series of activities that will focus on ambitious, growing businesses in all sectors and in

all parts of the region; stepping up support to our business sectors and places which have the greatest potential to bring productivity improvements and a few things that will prepare us for changes in the future.

Case Study

Langage Farm

A successful dairy business employing 50 people, Langage Farm has established a highly productive relationship with Plymouth University.

By utilising the services and equipment of the University's Electron Microscopy Centre, they were able to improve the consistency of their products. Following this success, they embarked on a longer-term Knowledge Transfer Partnership with the University. After a year of working with the KTP Associate, Langage Farm has signed a £4.2m deal with a major supermarket - creating 10 new jobs.



New markets, new opportunities. Across the HotSW area, there are thousands of businesses that have the potential to grow and become more productive. Some sectors could be particularly vulnerable to the decline in migrant labour, partly as a result of Brexit. Tourism, agriculture and the care sector, for instance, will need to offer better paid, and more attractive jobs to attract local workers. These businesses are an essential part of the wider economy and they will need support.

We know that some businesses, such as in the marine, aerospace, digital, nuclear and environmental science sectors, are already investing and innovating to ensure future growth. Around our major urban areas and our universities are clusters of dynamic firms that are exploiting new ideas and new technologies. By building on their lead, and commercialising their research, we can create productive supply chains and innovative businesses.

Removing barriers to expansion. The drivers of change put continuing pressure on us to understand what ideas, technologies and disrupters might affect us in the future. We will need to invest in foresight and find ways to support new products and new business models to ensure a more resilient economy.

We also need to take a step change and create a 'circle of benefit' within the HotSW economy. We have the research expertise in our universities, we have the business acumen in our best companies, we have the technologies in key sectors. We need to set them the challenge to focus all of that on what the local market needs.

For instance, our knowledge of agriculture and rural land management can feed back directly into creating new models for productive and rewarding farming, post-Brexit. Our knowledge of clinical sciences and human health can support new ways of delivering care to the vulnerable, especially in rural areas.

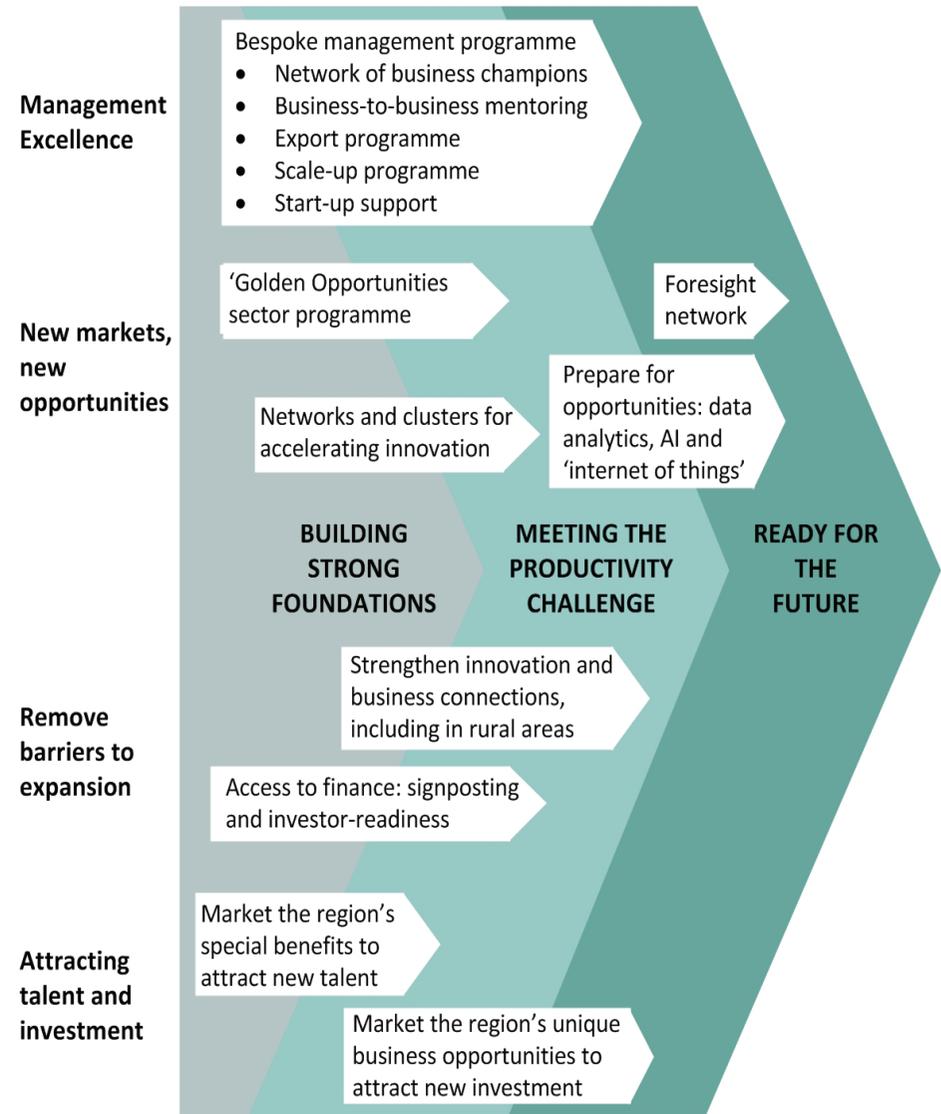
We will invest in making sure that our research and technology in key sectors pivots towards what local markets need. We can then be a test bed for innovation throughout our economy.



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High level interventions

Opposite, we set out the high level delivery programmes the partnership will undertake to achieve our ambitions. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. More detailed projects will be developed under these themes and set out in the partnership's delivery plan.



Links to Place and People themes: Transport, intercity connectivity, broadband, business premises, housing STEM in schools, graduate retention, new Higher Education facilities, technical skills through Further Education

Links to other opportunities and initiatives: Sector deals

Connectivity & Infrastructure

Why is this important?

Business depends on a range of conditions on which to prosper and grow. They need excellent transport and communications systems to move people, goods and ideas to markets; they need thriving communities in which to operate and attract staff; and they rely on a range of services from the natural environment.

If our businesses are to become more productive and competitive, then our infrastructure, our environment and our towns and cities must be up to that challenge.

The Government's Industrial Strategy, launched in 2017, recognises that, across the country, we need to

“upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.”

Our priorities are driven by our critical challenges and opportunities and focus on four key areas: energy, transport and digital connectivity, land for business and housing, and natural capital.

Understanding the issues

To accommodate the changing needs of business and allow for new developments, we need an electricity grid with enough capacity and flexibility to continually adapt to current and future demands. With distributed renewable energy generation becoming more common,

with the major new nuclear plant at Hinkley under construction and with a forecast increase in low carbon vehicles, our transmission system has to be up to the job.

Case Study

Upstream Thinking project

Working with landowners, the project is making changes to the way land is managed in order to keep pesticides, fertilisers and animal waste out of the rivers. This brings huge benefits to wildlife and the moorland environment - but it also improves water quality and reduces water treatment costs.

South West Water have seen substantial financial and operational benefits to their investment in natural capital.



Alongside this, we need transport links that can widen access to labour and markets. We know that innovation and productivity improve when creative people and companies cluster together. In this context, the HotSW area faces the particular challenges of distance from major centres and a dispersed population. The take up of superfast broadband and mobile connectivity remains behind many parts of the country. This is critical as high speed internet is an enabler of innovation in many areas of economic and social life - particularly in more rural areas.

We need to manage existing, and develop new, employment sites across the rural area and close to our major urban centres. From small, local work hubs through to major new enterprise zones, businesses rely on land and property to accommodate their changing needs. We also need a considerable investment in housing - to address the issue of affordability and provide housing for skilled people who are attracted by the outstanding natural environment and quality of life.

The HotSW's special environment, as we all know instinctively, is crucial to our wellbeing - in every sense. Without a healthy, diverse, efficiently functioning natural environment, we would not have a functioning economy. Our natural capital contributes a significant amount to annual output and employment and the preservation of its productive capacity is key to future living standards and wellbeing. It makes economic sense to invest in this so that these assets will continue to provide dividends into the future.

A relentless drive for productivity means that we will make sure that our communications infrastructure is supporting the needs of our key business sectors and our thriving places. In doing so, there will be significant benefits right across our region.

Case Study

Devon Work Hubs

Devon Work Hubs is a growing community of friendly and flexible work spaces, perfect for home-based and mobile workers, business start-ups, freelancers and entrepreneurs.

These work hubs offer a nurturing and supportive environment, where remote workers, sole traders and professionals can meet and collaborate with likeminded individuals: perfect for growing business ideas and stimulating innovations. A key recommendation from the SW Rural Productivity Commission, is the potential to extend the network into more areas.



What we will do

Aspiration productivity and prosperity for all	Improve our physical and natural assets to support wellbeing and economic opportunities
High-level Aim more productive businesses	Create vibrant places that are attractive to skilled people and new investment, with infrastructure to support productivity growth
Strategic Objective connectivity and infrastructure	Programmes <ul style="list-style-type: none"> Clean energy infrastructure Connectivity and resilience Land for business and housing needs Natural capital to support productivity

Connectivity and resilience. Transport improvements can be highly expensive and create environmental impacts. Therefore we should prioritise the critical opportunities for investment that will have the greatest impact on productivity. Meanwhile, we should aim for efficiency and capacity improvements across the networks. Looking ahead, we will plan for the needs of our area and for a new generation of electric and autonomous vehicles, with an Infrastructure Commission to oversee a new infrastructure plan.

Digital connectivity is important to all aspects of modern life, and especially in business. We have to make sure we have a strong level of mobile and broadband access across the whole area. However, rather than continually delivering incremental speed improvements, we plan to leapfrog speeds and bandwidth to enhance our ability to compete in an increasingly digitised future.

Clean energy infrastructure. We need to work with neighbouring LEP areas and grid providers to make sure we have a sufficiently flexible system to cope with multiple energy generators, as well as a substantial increase

in capacity overall which unlocks sites for development. Alongside major investments to support Hinkley C and the economic opportunities that flow from it, we need to make sure that, at local level, we maximise opportunities to generate clean energy where it is needed. Our Local Plans should encourage solar and energy storage in all new developments - whether domestic or commercial.

Land for business and housing needs. Prioritising previously used land, we will support suitable sites for employment uses - identifying gap funding, and making sure that the Local Plan process across the HotSW area is aligned with our ambition to raise productivity. As businesses grow, they have different needs. We will support the concept of a Business Ladder - to provide appropriate space for small businesses to grow over their lifetime and to design those spaces to be flexible.

A BUSINESS LADDER



New housing will be needed to meet our expanding population and we will aim to build around the major new settlements and where public sector land opportunities arise. Major new sites should be built with resilient transport and digital connections. Our aim is to make all new housing more sustainable and with the latest energy and digital infrastructure built in from the outset.

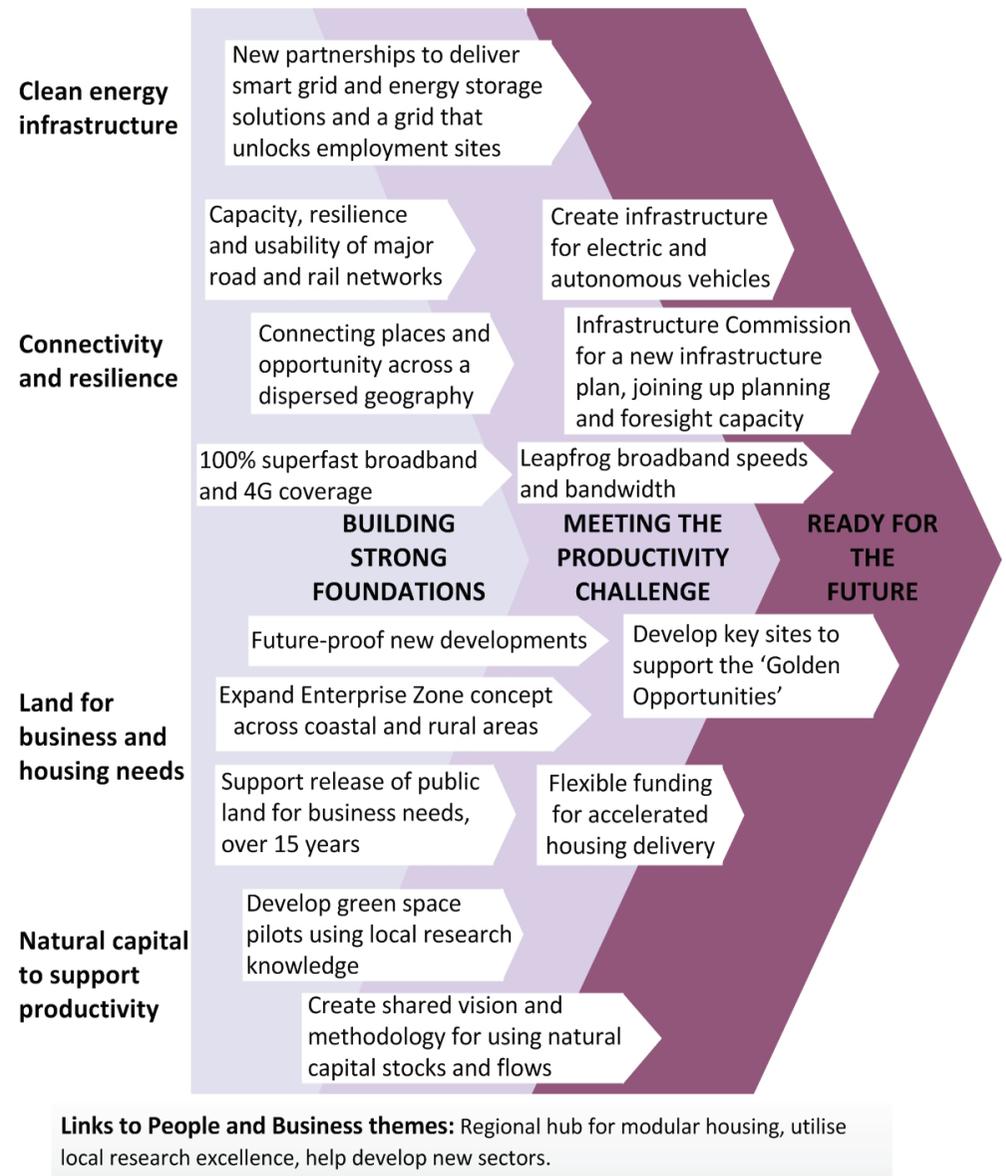
Natural capital to support productivity. We know our environment is important for several of our major sectors; for attracting people to live,

visit and work in the area and for providing a range of key resources. We will create added value from this natural capital base to deliver real benefits for the wider economy. In particular, we want to understand better the economic value of our environmental assets and we will work with partners to deliver this. We aim to help our farming communities adapt to changes post CAP and do so in a way that enhances our natural capital.

The SW Rural Productivity Commission has identified five strategic recommendations, published in their separate report. This Productivity Strategy supports all of them and has specific proposals linked to three of them: digital infrastructure, rural proofing and the impact of Brexit.

High level interventions

Opposite, we set out the high level delivery programmes the partnership will undertake to achieve our ambitions. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. More detailed projects will be developed under these themes and set out in the partnership's delivery plan.



Working & Learning

Why is this important?

People with skills and experience underpin the success of a region's economy. They are a central element in the creation of local prosperity; providing the labour that fuels successful and dynamic businesses; the talent that drives forward enterprise and innovation; and the capacity that directs and attracts investment and competition.

Consequently, the most productive economies are those which grow, attract and retain the most talented people. Economies with the most skilled and active workforce; with the most dynamic labour markets; and with the best education and learning environments, supporting individuals to learn and adapt throughout their lives, are often those that can best meet new economic challenges and drive forward economic performance. Successful economies also recognise that people develop at different rates so different pathways are important - there must be no closed door to developing talent.

Realising and enabling the potential of every individual to work and learn also has benefits beyond business performance, with skilled and economically active communities tending to be healthier, safer, more confident and more adaptable to change; a virtuous circle of prosperity.

Ensuring our workforce is therefore supported to meet its full economic potential through working and learning is our third priority.

Understanding the issues

We are successful in getting people into work. With almost functional full employment in many areas, we do not face the same overall challenges around worklessness perhaps found elsewhere in the country. Whilst there remain pockets of unemployment, the area benefits from an overall culture of work. Consequently, we need to utilise the skills and experience of our ageing population.

We also have areas of strength in skills and learning. Communities such as Exeter and those neighbouring Plymouth currently benefit from a higher proportion of knowledge and service-led opportunities than elsewhere in the area, closely aligned with their significant further and higher education capacity. Similarly, NVQ Level 3 performance remains high across Somerset and parts of Devon and Torbay.

However, overall, those in work across the HotSW are too often under-utilised or under-skilled. Too many people are employed in low wage, low skill sectors due, in part, to local challenges around knowledge and aspiration. 23% of HotSW's workforce in 2016 held less than a GCSE level qualification, whilst 10% less students went on to university from our schools and colleges than elsewhere in the country. We face a net outflow of graduates from the area. Our economy also faces significant risks from Brexit with the potential loss of workforce in care, agriculture and tourism sectors.

What we will do

Aspiration productivity and prosperity for all	Meet the potential of every individual within the area to work and contribute to our shared prosperity
High-level Aim more productive businesses	Develop, attract and retain a highly skilled and adaptable workforce
Strategic Objective working and learning	Programmes <ul style="list-style-type: none"> • Skills for a knowledge-led economy • Pathways to success • Access to work and opportunities • Skills for our 'golden opportunities'

Any approach to enhancing productivity in the HotSW requires a clear focus on meeting the area's skills challenge and emerging needs. We will focus on building the capacity of those already in work and also on preparing those in education to thrive in a more dynamic and diverse future economy.

Skills for a knowledge-led economy. We know that one of our most important productivity challenges is attainment and aspiration amongst our young people. Whilst GCSE performance has improved steadily over recent years, the HotSW still trails its peers on the proportion of those going to university. We need to improve access to HE provision especially for those in more remote and rural areas; and there is exciting potential for university provision in Somerset.

We will improve the advice that our young people receive on careers and opportunities whilst in education, and the linkages between our schools, businesses and with FE and HE providers. We will look at maximising the substantial opportunities around apprenticeships, and establish a forward-focussed business-led Skills Task Force to capture emerging opportunities and better align skills provision across the HotSW area.

Pathways to success. We will enhance the offer to those in work who are willing to retrain and up-skill, working with partners to promote apprenticeships and Degree Apprenticeships. We will also seek to better align existing funding around re-skilling / in work training through a single training fund approach.

Within the HotSW, one of our most important ongoing productivity challenges is attainment and aspiration amongst our young people. We will improve and integrate our careers education, information, advice and guidance activity (CEIAG) so that young people have the fullest understanding of the opportunities available to them.

Access to work and opportunities. We need to ensure that physical, institutional and financial barriers to accessing work, training and guidance are minimised. A range of interventions will be established to improve transport and digital access to skills provision at all levels. We will work with HE and FE providers to seek more innovative ways to reach out to our more remote rural and coastal communities; and to engage our ageing population. We aim to create more integrated advice and support systems that have a single gateway.

Skills for our 'Golden Opportunities'. Alongside wider business requirements, we will also seek to maximise the impact of our Golden Opportunities. We will therefore come together with FE and HE colleagues to ensure that existing funding and capital investment put in to maximise the skills benefits of these projects are being fully aligned and realised across the area. In particular, we will seek to build upon the immediate demands of the construction sector and digital sector in the face of the development at Hinkley Point, within the Exeter Growth area and within Plymouth. Partners will build on the emerging work of the Skills Task Force, with a focus ensuring resources are prioritised for relevant industry-led demand within FE and HE.

We will therefore focus on developing additional assets for the area to deliver STEM and other technology led skills provision - building and complementing the existing specialist centres within the HotSW in our FE and HE institutions.

Case Study

Hinkley Point Training Agency

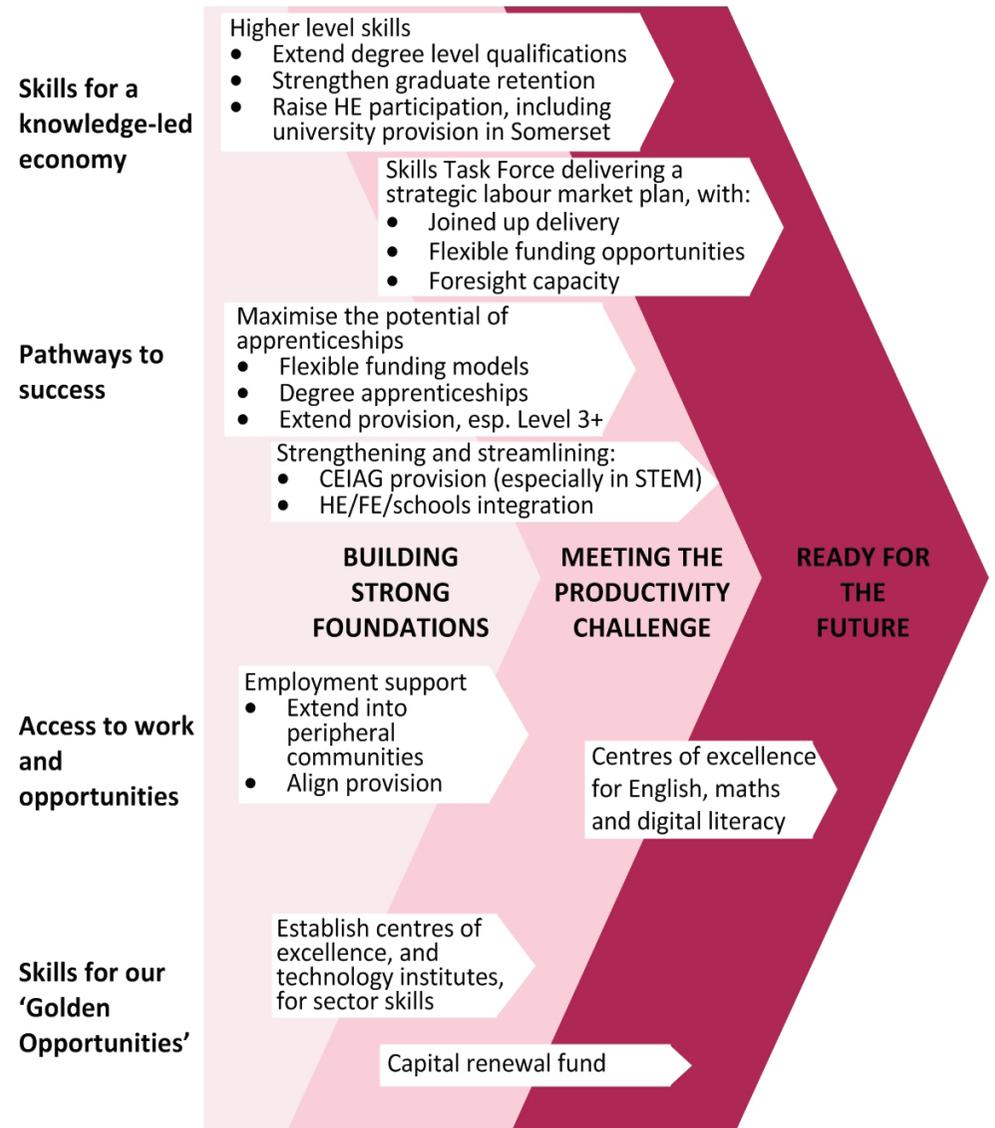
The HPTA is an innovative approach to supporting the recruitment of local labour into the construction of Hinkley Point Power Station. During the 10 year construction period there will be some 25,000 different job roles with almost 6,000 people employed during peak. The aim is for the project to generate 1,000+ apprenticeships and ensure that at least 34% of all those working on-site are within a 90 minute travel to work zone.

To achieve this and ensure that Hinkley leaves the legacy of a highly skilled sustainable workforce, an education and training supply chain has been formed. This coalition will provide accredited, quality assured training to meet the needs of the main contractors. Recent HPTA activity includes the development of a L4 Project Management Apprenticeship and a new Pre-apprenticeship, Introduction to Engineering Construction Programme with three of HPTA's training providers, starting in September 2017.



High level interventions

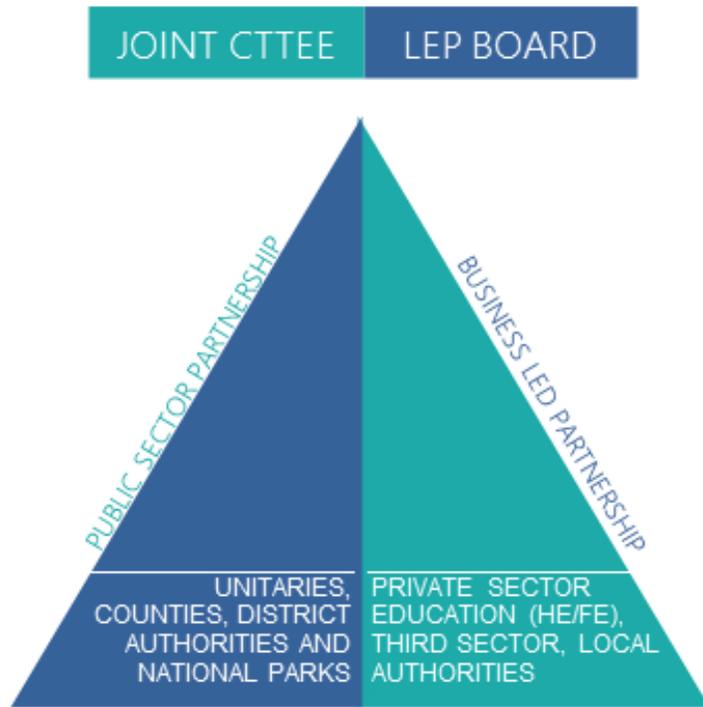
Opposite, we set out the high level delivery programmes the partnership will undertake to achieve our ambitions. Our priorities will be delivered differently in different places, taking account of local needs and opportunities. More detailed projects will be developed under these themes and set out in the partnership's delivery plan.



Links to Place and People themes: Marketing of Place, management and enterprise skills, higher level of innovation and R&D, transportation and access

Leadership & Delivery

This Productivity Strategy is owned by both the Joint Committee and the Local Enterprise Partnership. The shared responsibility between all the local authorities and the business-led LEP means that we have a stronger commitment than ever before to set the strategy and deliver the priorities.



Our partnership is also creating strong links with a number of other relevant organisations in the region, such as the two Local Nature Partnerships, the Rural Productivity Commission, business groups and health bodies.

Of course, our Strategy sits alongside many others - whether for skills, transport or broadband - and it provides an over-arching context and a clear sense of direction to all we do.

Delivering the plan

We will take overall responsibility for the commissioning of different strands of activity; for monitoring progress; for ensuring that it remains fit for purpose and for working with partners to agree different roles. The Productivity Strategy sets out our strategic intent for delivering 'productivity and prosperity for all'.

Following the agreement of this Productivity Strategy, we will publish a Delivery Plan that will set out in more detail exactly what will be done, phasing in rolling programmes through to 2036, in different parts of the region - demonstrating how our plans can be delivered.

In practice, delivery will take place across different geographies and with different groupings of partners depending on how the activities are best delivered and how opportunities arise. Strong links to neighbouring areas are fundamental to our economic success. The Heart of the South West is just that - the heart of a wider region and we will work with other LEPs, other sector networks and national partnerships wherever appropriate.

A new economic compact

In the private sector, the best businesses are efficient and ambitious, productive and innovative. They train their staff and take risks with their own, and stakeholders' money, in the expectation of future returns. They aim to grow profitably, generate value added and, as a consequence, offer satisfying, rewarding and sustainable jobs.

The public sector's role is to build the foundations that will let the private sector's entrepreneurship thrive.

The public sector will invest in areas of market failure, helping to disseminate the information and knowledge that businesses and workers need to compete - particularly with respect to skills and innovation. It has particular roles in the planning process and regulation, as well as with infrastructure development and the promotion of a culture to invest in competitiveness.

But, to be successful, the partnership between the two needs to operate openly and flexibly. In an age of less public funding, the public sector's ability to deliver a full range of activities to support business needs will be severely reduced unless a different partnership is forged between local government and businesses at a local level.

There needs to be a mutual commitment to invest in the human, physical and entrepreneurial capital that will help businesses succeed into the future. Companies will need to invest more of their own resources and will need to commit more effort to bringing wider social benefit from their endeavours. Local authorities will have to be more innovative about how they invest in business support measures and may have to look at other ways to enable business to thrive: local planning, making land available, prudential borrowing for infrastructure improvements, joint ventures and information sharing. The partnership is keen to work with the private sector to develop this.

Shaken, not stirred - funding and investment

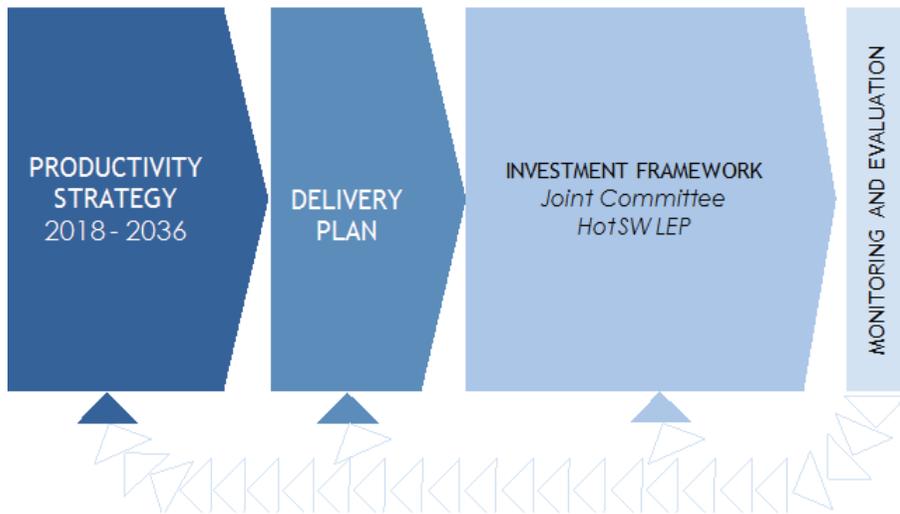
Our proposals are not about creating a new single funding pot. We believe that we need to be more nimble than that. As we identify priorities for delivery and project opportunities, we will blend together a cocktail of investment from a range of sources. However, all our experience shows that we will need access to some revenue funding alongside capital investments to make the most effective interventions.

	Local Authority	Private sector	Government	Other
Finance	<ul style="list-style-type: none"> • LA funds • Business rates • New Homes Bonus • Prudential borrowing 	<ul style="list-style-type: none"> • Own investment • Borrowing 	<ul style="list-style-type: none"> • EU funds (until 2020) • UK Shared Prosperity Fund • Departmental budgets (eg DoT) • Innovate UK • Research Councils • New economic development and regeneration funding 	<ul style="list-style-type: none"> • Small grant funds • Bursaries
Other resources	<ul style="list-style-type: none"> • Land and property • Staff time / knowledge 	<ul style="list-style-type: none"> • Land and property • Expertise / mentoring • Meeting space • In-kind support 	<ul style="list-style-type: none"> • Tax incentives • Designations (eg Enterprise Zones) 	
Other inputs	<ul style="list-style-type: none"> • Planning powers 	<ul style="list-style-type: none"> • Marketing 	<ul style="list-style-type: none"> • Regulation 	<ul style="list-style-type: none"> • Research • KTPs



Measuring Change

This Strategy is aimed at achieving results between now and 2036. Not everything is within our control but this Productivity Strategy, and the delivery plan that sits beside it, will lead to a significant uplift in productivity, and a range of associated economic indicators, over the life of the Strategy. However, different activities will be delivered as resources are secured - and some may take several years.



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Our ambitions

Our plan is to improve business productivity and to increase the opportunities for people to contribute to and benefit from economic growth. **We aim to double the size of our economy by 2036.**

Productivity

Overall, we believe that an ambitious but not unreasonable macro target would be to gradually increase average local productivity growth to between 0.3%-0.5% per annum above the national average over the period to 2036. This could raise economic outcomes (total value added) by 5-8% over the currently expected benchmark.

To achieve such a shift in performance requires higher investment and R&D ratios (closer to G7 averages). This will need to be achieved by businesses. The partnership assembled under the Productivity Strategy, is an enabler, providing incentives and interventions that will:

- create supportive infrastructure to build connectivity in its widest sense - real and virtual.
- encourage collaborative acquisition and dissemination of knowledge.
- promote other favourable business and community conditions, especially competitive aspiration and market engagement.

However, there are a myriad of factors involved in raising productivity performance and many are beyond local control or influence. Moving the productivity rate towards '2% per annum' would be a significant but realistic achievement. It could mean moving HotSW real GVA growth from about 2.3% per annum to 2.8% per annum and holding employment growth to 0.8% per annum.

A more ambitious target would be to raise productivity growth by 0.5% a year above the projected local and national baseline. This would indicate productivity growth of 2.2% per annum and real GVA growth of slightly over 3% per annum.

What we will do

Ambition indicator - per annum	Baseline	Significant	Ambitious
Productivity rate	1.7%	2%	2.2%
Real GVA growth	2.3%	2.8%	3%
Employment growth	0.6%	0.8%	0.8%

Productivity growth of 2.2% per year is therefore our aim; this is ambitious and is a step change for the HotSW but other parts of the country and other parts of the world have achieved these levels of growth.

Prosperity for all

Improving absolute and relative productivity is seen as a key component of economic growth. However, it is recognised that that growth should have the potential to benefit all individuals and areas. Inclusive growth is giving the opportunity for individuals to benefit from and contribute to economic growth through higher value activity. Essentially, this is about providing access to employment and access to better employment. The emphasis between the two will vary from place to place across HotSW and success will be measured through the indicators in the table opposite.

Economic growth has not necessarily meant improvements in well-being and traditional measures of economic growth do not allow for an understanding of the distributional impact of growth.

National policies and fiscal, monetary and economic decision-making have a large bearing on the growth and inclusiveness of local economies. Policies such as deficit reduction, welfare reforms, tax and spending decisions, housing policy, and public service reform impact significantly upon living standards, and it could be argued that in some cases act against local efforts to promote economic inclusion.

Consequently, we have identified a number of indicators that have readily available data and will represent progress towards our aim of prosperity for all. By using these indicators, we can:

- identify strengths and weaknesses across policy areas to inform future activities;
- create a means of monitoring performance against inclusive growth objectives and potentially benchmarking outcomes against other areas
- use a tool that is flexible, easily understood and accessible, and can be owned by the partnership moving forward

The high-level indicators shown below are taken from a longer list included in the delivery plan.

Prosperity for all indicators

Indicator	Ambition
Earnings - distribution	% gap between the median and mean average earnings (full-time)
Economic inactivity	% of working-age population who are economically inactive but who want a job
Workless households	% of working-age households with no-one in work
Gross disposable household income	Gross disposable household income per head
Output (GVA)	Difference between top and bottom HotSW local authority – GVA per head
Earnings	Difference between top and bottom HotSW local authority – median average

Prosperity for all

Making choices over which specific projects and programmes to support will depend on the appraisal of those projects in relation to the outputs and outcomes they generate, the risks and rewards, and the persistence of those benefits in qualitative and quantitative terms.

In doing so, we would expect to consider the '5 cases for action':

- the strategic case – matching the requirements of current policy intentions and desires;
- the financial case – sound funding and affordability;
- the commercial case – business logic and profitability;
- the management case – practical achievability; and
- the economic case – net 'additionality'.

The partners will develop an investment framework which captures these and ensures we are making the best use of scarce resources.

So this is our strategy.

A strategy to double the size of the HotSW economy by 2036, to raise living standards across the area, to provide better jobs and create better places to live.

We now need to deliver this strategy. We invite you to join the challenge. Please take part in our consultation www.torbay.gov.uk/devolution



Third Way Bridge, Taunton

Heart of South West Productivity Strategy

Background

1. There is currently a consultation underway on the Productivity Strategy for the Heart of the South-West. The Strategy has been developed by a partnership including the local enterprise partnership and all the local authorities in Devon and Somerset, plus the three CCGS and two National Parks.
2. Productivity is a major factor affecting the UK's economy and the prosperity of its businesses and residents. The Strategy sets out that the HotSW has "vibrant cities, an amazing coastline, historic market towns and stunning moorland". It also has a wide diversity of dynamic and innovative businesses and institutions across rural and urban areas. However, our economy is not as strong as it could be and not all share its benefits and locally Torbay's economy is alongside those of more rural northern and western Devon challenged because of the sectoral base of the economy and some labour supply issues.
3. The Strategy builds on existing evidence setting out unprecedented opportunities in sectors such as nuclear, marine, rural productivity, health and care, aerospace and advanced engineering, and data analytics. The Strategy articulates that the HotSW area – Devon, Plymouth, Somerset and Torbay – has the potential for transformational growth to reverse this trend and make a significant contribution to the UK economy.
4. Specifically the Partnership's ambition is to double the size of the HotSW economy to £70 billion by 2036 and is seeking the right interventions and Government backing to achieve this.
5. This paper summarises the Productivity Strategy and highlights areas where we are likely to want further improvement in the Strategy post consultation.

Summary of the Productivity Strategy

6. The vision is for all parts of the Heart of the South West to become more prosperous, enabling people to have a better quality of life and higher living standards. To achieve that, there is a need to create a more vibrant and competitive economy where the benefits can be shared by everyone.
7. The productivity gap is well known and addressing this issue is the challenge we now face, not just in the Heart of the South West (HoSW), but across the country. In brief, the Strategy sets some ambitious targets; by 2036 the HoSW will:
 - Double the output of the economy to £70 billion
 - Raise productivity by 53% to £69,000 Gross Value Added (GVE) per full time employee (FTE)

- Support the government’s ambition of increasing prosperity across the UK
8. To deliver this vision, the Strategy focuses on activities that will drive up productivity in the economy and help everyone to benefit. The Strategy recognises the importance in taking advantage of the opportunities within our people, our environment and our businesses.
 9. In order to drive the economy forward and realise the potential of the HoSW, it is important to maximise:
 - Opportunities from our world-class potential or ‘golden opportunities’¹
 - Management capability in our businesses
 - The potential of our knowledge and research assets
 - Our pool of highly skilled people
 - The potential of our communications infrastructure
 - The opportunities provided by our natural capital
 10. The Productivity Strategy will be owned by both the Joint Committee and the Local Enterprise Partnership. This shared approach ensures a stronger commitment than ever before to set the strategy and deliver the priorities. The precise mechanism of scrutiny is to be determined.

Framework for Torbay Council’s Response

11. There is much in the Strategy which works well at a higher geographic level and many of the suggested objectives and actions which are set out can be supported by Torbay however there are some issues within the Strategy which we will want to comment on and where very local issues are not captured.
12. The Strategy is not distinctive enough, while there is an identification of key sector strengths the overlap and interdependencies between the sectors and the actions which have been set out needs to be improved. As a lobbying piece for Government the narrative lacks impact, given that the ultimate aim of the Strategy is to provide the basis of an ask to government for the new Shared Prosperity Fund and to support any further devolution proposals it is not compelling enough. A further issue is that the lack of clarity from Government at both political and official level over the future direction of devolution and the probability of significant freedoms and flexibilities alongside the current focus on Brexit means that there is some mistrust over whether there is likely to be a significant prize at the end of the process.
13. More of a practical issue is that, given the aim expressed in the Strategy of inclusive growth and growth, there is little clarity on how that will be achieved. While the proposal that Torbay has made for promotion of the coastal enterprise zone concept is included in the draft there is no accompanying narrative. Torbay’s needs therefore should reinforce the need for the Productivity Strategy to lobby for the creation of

¹ Aerospace, advanced engineering, high tech marine and marine renewables, nuclear, data analytics, rural productivity, health and care service.

coastal enterprise zone pilots and put in place clearer proposals on how growth will be delivered away from the A38 M5 corridor.

14. There is a lack of reference to the need to develop a higher value tourism economy despite much of the economic context referencing the natural capital, the visitor economy and the close linking of the place with the visitor economy. This is a weakness and the Strategy should be referencing opportunities to improve transport connectivity, the digital skills of businesses, and skill levels within the labour market in support of higher value tourism.
15. Construction needs to be far more prominent within the strategy, and not just in the context of Hinckley. At a Heart of the South West level if partners achieve house building targets with Hinckley in the backdrop, we need to address the skills challenge here. Hinckley is a positive project in stimulating investment and employment but there is a threat to supply of construction skill unless further actions support the creation of pathways for entry into the sector and more work is done to demonstrate to education that construction offers careers.
16. Turning to the digital economy there is a clear reference to the need for improved infrastructure but there is a gap in identifying support for the skills needed to capitalise on this – infrastructure alone won't drive productivity. Digital skills must accompany digital technology and this point needs to be made to underline the productivity improvements that can be created by businesses.

Next steps

17. There is a very clear need to not only accelerate delivery of our economic growth plans but to raise awareness with partners of the role Torbay can play as a larger urban area in driving the growth of the Heart of the SW economy. There is no recognition of the quantum of growth that Torbay is seeking to bring forward over the Strategy period and the response needs to reinforce the commitment that the Council is making to deliver locally. It will also be important to work with partners such as those represented at the Torbay Together meeting, MPs and others to raise awareness more broadly and more effectively lobby the LEP and others on what Torbay needs to provide that pace.



Meeting: Overview and Scrutiny Board

Date: 29th November 2017

Wards Affected: All Wards

Report Title: Budget Monitoring 2017/18 – Quarter Two

Is the decision a key decision? No

When does the decision need to be implemented? n/a

Executive Lead Contact Details: Mayor Oliver, mayor@torbay.gov.uk

Supporting Officer Contact Details: Martin Phillips, Head of Finance,
Martin.phillips@torbay.gov.uk, 01803 207285

1. Purpose and Introduction

- 1.1. This report provides a high level budget summary of the Council's revenue and capital income and expenditure for the financial year 2017/18.
- 1.2. As at the end of quarter two 2017/18 the Council's **Revenue** budget is predicting an over spend of £1.9m primarily as a result of expenditure pressures in children's social care. This level of overspend is a cause for concern and has been reflected in the Mayor's budget proposals for 2018/19 which were published in October 2017. In the absence of any compensating savings in other services the Council will need to identify options to fund the over spend. The 2018/19 Review of Reserves report will address this issue.
- 1.3. The **Capital** Plan budget totals £191.8 million for the 4 year programme, with £104 million currently scheduled to be spent in 2017/18, including £68m on Investment Fund acquisitions, £15m on a number of regeneration projects, and £7m on the major Transport schemes (i.e. South Devon Highway/Western Corridor). The capital plan only reflects investments purchased to date, however this could increase by £133m if the expenditure increases to the level of the £200m approved investment budget. The Capital Plan requires £0.9 million from (new) capital receipts and capital contributions over the life of the Plan
- 1.4. Appendix three is an expanded narrative of the **capital schemes** expected to incur expenditure in 2017/18 with a specific update for each project. This aims to provide members with greater oversight of the progress on capital projects rather than a focus exclusively on financial issues.

2. Recommendation (s) / Proposed Decision

2.1 That the Board considers the current position and make any comments and/or recommendations to the Council.

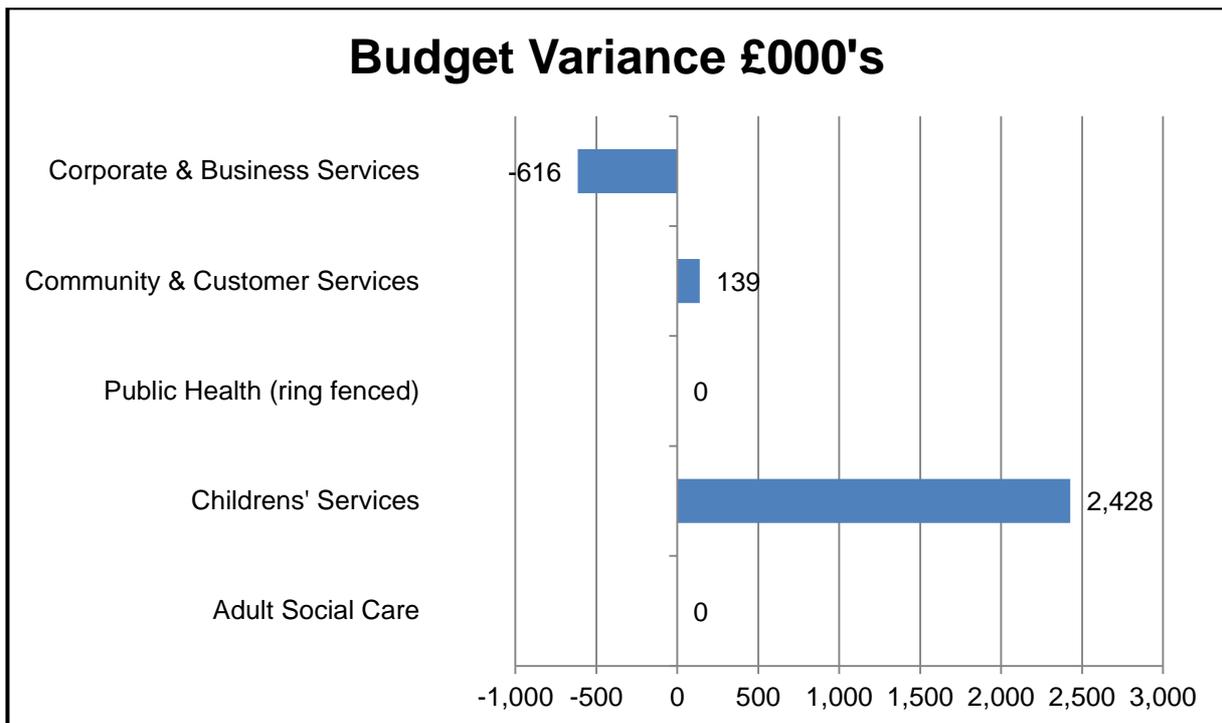
3. Reason for Recommendation/ Proposed Decision

3.1 Report for review and information.

3.2 Council is asked to approve a loan to Torquay Academy of £0.225m to be repaid over seven years to fund additional teaching space at Torquay Academy.

4. 2017/18 Revenue Budget Summary Position

4.1 As at Quarter 2 the Council's revenue budget is predicting an over spend of £1.9m, primarily as a result of issues in Children's Services, offset in part by under spends or additional income on other services. A bar chart summarising the projected budget variance by service for 2017/18 is as follows:



Children's Services

4.2 The Children's Services' Medium Term Financial Strategy (MTFS) focuses on bringing the two main areas of expenditure – placements and staffing, in line with comparators over time. Our spending on placements is projected to be marginally above last year's outturn and has been significantly impacted by a recent sibling group of five children and two very complex young people requiring residential placements. Overall our Children Looked After population is static, notwithstanding this recent intake, which is in contrast to the national position which is showing year on year growth. The staffing outturn for the current year is currently projected to be broadly in line with last year's

outturn and has been affected by recent investment to stabilise the Social Care workforce and ensure that children were not subject to repeated change in their allocated Social Worker. A dedicated Social Worker, funded by Transformation, will shortly be commencing to support children leaving care through Special Guardianship, alongside senior management oversight of placement decisions which is ongoing. Some of the staffing pressure is due to the overlap of agency with our International Social Workers which will reduce as the former are judged capable of taking up a full caseload.

- 4.3 Funding for schools activities are primarily funded through the dedicated schools grant (DSG). The Council does not receive any schools funding within its own grant and funding allocations. This grant is allocated in “blocks” to cover different activities – in 17/18 these “blocks” are early years, higher needs and schools. The higher needs block has in the past 12 months been under financial pressure as a result of an increasing level of referrals from schools for higher needs support for children resulting in an over spend in 2017/18 of £1.1m. In 2016/17 the over spend in the higher needs block was funded from the DSG reserve.
- 4.4 The Council does not receive any funding for schools therefore the over spend will remain in the DSG to be funded in future years and is not a cost the Council will fund. As a recognition of this pressure the Schools Forum, (who have a governance role in the allocation of schools funding), have been supportive and have agreed an allocation of 0.5% of the 18/19 schools block of the DSG (approx. £0.350m) to part fund this overspend. The Council considered submitting to Department of Education a request (a disapplication) to Department of Education that additional funds are transferred from the schools block in 2018/19 to fully fund the 2017/18 overspend. However this was not submitted as it was considered that a better approach to reducing this demand, (and therefore cost), is to work directly with schools to jointly work on a solution to this issue.
- 4.5 The increase in costs from higher needs block is not solely a Torbay issue but a pressure that a number of upper tier councils are facing. In essence the rising demand and cost for higher need support has not been matched by an appropriate increase in funding.

Adults Services

- 4.6 The Council and the other two partners have signed a revised risk share which caps the Council risk. It should be noted however that the CCG need to get approval for this from NHSE as their regulator. On the assumption that the formal agreement is completed then the budget variance for the Council’s contribution will be nil for 2017/18.
- 4.7 The revised risk share is as previously reported in that for 2017/18, (2018/19 and 2019/20), the Council is to fund a (fixed) amount of £3.1m each year that is in addition to the previously agreed annual fixed amount contained in the previous RSA with no exposure to any further ICO budget variances. This fixed payment is to be funded from the allocation in the 2017/18 budget for the Council’s exposure to its 9% risk

share plus an allocation of £0.9m from the £3.8m Improved Better Care Fund (IBCF) allocation to the Council in 2017/18.

- 4.8 The IBCF is to be invested in line with national guidance. The remaining balance of the £3.8m of the IBCF in 2017/18 was to be allocated as £0.9m for care home fees, £1.0m for targeted investment in adult social care improvements and £1.0m held in reserve for the ICO to be invested in line with the guidance.
- 4.9 The Council's appeal on the Judicial Review on Care Home fees was heard in June 2017, the judgement received in October upheld the Council's appeal. Officers are evaluating the implication of the judgement and any financial consequence will be reported to Members as part of the 2018/19 Review of Reserves report and the Mayor's final budget proposals in January 2018.

Investment Property

- 4.10 In the second quarter 2017/18 the Council purchased two further investment properties.
- 4.11 In respect of one of these investments it was decided that "the net income received in 2017/2018 be ring fenced for use on regeneration in Torbay". This is estimated to be £0.2m and will be transferred to the Council's regeneration reserve.
- 4.12 As the Council purchases these properties the relevant budgets in both treasury management and investment properties will be updated to reflect the current borrowing and net income position.
- 4.13 Detailed Position

The budget position for each service is shown in the table below:

Service	2017/18 Budget			Forecast Full Year Variance
	Expenditure £000s	Income £000's	Net £000's	
Adult Social Care	49,520	(10,479)	39,041	0
Children's Services	77,460	(48,733)	28,727	2,428
Public Health	11,115	(1,479)	9,636	0
Joint Commissioning	138,095	(60,691)	77,404	2,428
Community Services	30,652	(6,840)	23,812	(11)
Customer Services	73,716	(70,225)	3,491	150

AD Community & Customer Services	104,368	(77,065)	27,303	139
Commercial Services	6,481	(1,969)	4,512	200
Finance	18,709	(16,708)	2,001	(644)
Business Services	8,602	(13,179)	(4,577)	102
Regeneration & Assets	8,959	(5,515)	3,444	(274)
AD Corporate & Business Services	42,751	(37,371)	5,380	(616)
	Expenditure	Income	Net	
	£000s	£000's	£000's	£000's
Gross Revenue Budget	285,214	(175,127)	110,087	1,951
Sources of Funding	-	(110,087)	(110,087)	(11)
Net Revenue Budget	285,214	(285,214)	0	1,940

A narrative of the position in each service area is as follows:

Service	Variance to Budget £m	Main Variances in 2017/18
Adult Social Care	0	As paragraph 4.6 above.
Children's Services	2.4	As paragraph 4.2 above
Public Health	0	Ring fenced budget
Community and Customer Services	0.1	Community Services: Income budgets not being achieved. Projected over spends on events, CCTV, concessionary fares and Torre Abbey. Offset by salary, waste tonnages, housing options and temporary accommodation savings. Also included are assumed savings from the new contract with Parkwood Leisure for Torbay Leisure Centre and the Velopark due to be in place during 2017/18.
Corporate and Business Services	(0.6)	Projected over spend on coroner, legal services, spatial planning and lower than forecast car park income, offset by additional confirmed investment properties to date. Expected savings in pension payments (both discretionary and deficit related) based on expenditure profile to date and the

		release of a number of contingency budgets.
Sources of Funding	0	
Total	1.9	Projected over spend

4.14 Risks & Sensitivity

4.15 The predictions for the full year outturn in this report are based on six months of financial information and will be subject to changes in both assumptions and demand.

4.16 Historically the Council's overall position improves in the last quarter of the year as actual expenditure and income for the year is finalised and impact of some future year savings are realised in year.

4.17 There are a number of financial risks facing the Council. Key risks are shown below:

Risk	Impact	Mitigation
Achievement of approved savings for 2017/18	High	17/18 Budget monitoring and "saving tracker" monitored by senior staff.
Potential impact and costs of judicial review for care home fees	Low	Judgement in Council's favour – October 2017
Risk that current ASC/ICO proposals are not formally agreed.	Low	The 3 bodies of CCG, ICO and Council have signed a revised risk share which caps council risk but CCG need be get approval from NHSE as their regulator.
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan.
Identification, and achievement, of £17.4m of savings for 2018/19 to 2020/21 per Medium Term Resource Plan April 2017	High	Transformation Team set up to coordinate the implementation of potential transformation savings. Mayors 2018/19 budget proposals released in October 2017
Additional demand for services particularly in childrens' social care	High	17/18 Budget monitoring, use of service performance data and recovery plan.

5. 2018/19 Budget Process

5.1 The Mayor presented his budget proposals for 2018/19 as planned on the 23rd October 2017 for consultation. The 2018/19 budget will be presented to Council for approval in February 2018.

5.2 The Mayor's 2018/19 budget proposals are available on the Council's website:

<http://www.torbay.gov.uk/council/finance/budget/budget-201819/>

6. Balance Sheet issues

Borrowing

6.1 Since end of June 2017 the Council has borrowed a further £55m, primarily to fund investment property acquisitions. Total borrowing as at 1st November 2017 was £223m.

6.2 The interest cost and voluntary repayment of principal on this new borrowing will increase revenue expenditure, which, in 2017/18 will be more than offset by increased rental income from the investment property.

6.3 Council in September 2017 approved a (revised) 2017/18 operational boundary of £310m comprising £290m for external borrowing and £20m for other liabilities. This is the limit beyond which external borrowing is not normally expected to exceed during the year but this is a working limit which can be varied depending on schemes and approvals.

6.4 The Treasury Management midyear review was presented to Council on the 19th October, this report contained more information on the Council's current and future borrowing requirements.

6.5 2018/19 Capital Strategy will report explicitly on the delivery, affordability and risk associated with that strategy in particular the level of borrowing.

Council Subsidiary Companies

6.4 The Council has interests in a number of companies. The financial performance for 2016/17 of these companies is included in the Council's statement of accounts (link below).

<http://www.torbay.gov.uk/council/finance/statement-of-accounts/>

The Council has now set up Torbay Housing Company Ltd for the aim of buying domestic dwellings for rent in line with the Council's housing strategy.

Debtor – Write offs

6.5 The total value of debtor write offs in the second quarter of 2017/18 was:

Service	Number of records written off	Value of write offs £000's	Number over £5,000
---------	-------------------------------	----------------------------	--------------------

Council Tax	857	257	0
NNDR	59	272	12
Housing Benefit	197	83	5

6.6 Any write offs in the quarter over £5,000 are reported to Members in exempt Appendix One.

7. Capital Plan Summary Position

7.1 This is the monitoring report for the second quarter of 2017/18 and includes variations arising in this quarter to the end September 2017. The 4-year Capital Plan Budget is £191.8 million, covering the period 2017/18 – 2020/21. This is primarily fully funded but still relies upon the generation of £0.9m of capital income from capital receipts and capital contributions over the life of the Capital Plan.

7.2 There is a project to provide additional space at Torquay Academy to meet existing demand for secondary school places. The Academy have requested the scope of works be increased to provide additional teaching space for which they would provide additional funds of £0.225m however they would like to arrange this by using a loan facility from the Council to be repaid over 7 years as an unsecured loan at market rate. If this loan request is approved, it is planned to complete these works by August 2018 and the additional budget and funding have been added to next financial year.

7.3 The movements in the estimate of expenditure in 2017/18 on the Capital Plan between the last monitoring report at June 2017 of £84.2 m and the current budget for 2017/18 of £104.0 m are shown below.

Scheme	Changes £m	New Schemes £m	Reason
Budget changes since last report (Q1 2017/18 - £84.2m)			Capital Plan Update – 2017/18 Quarter 1 (Report 13 Sep 2017)
Protecting Children:			
Capital repairs & maintenance	(0.1)		Saving transferred to Education Review projects for reallocation
Education Review Projects	0.1 (0.2)		Net transfer of budgets. Re profile spend to 2018/19
Torquay Secondary School places	0.2 (0.2)	0.2 (0.2)	Additional teaching space funded by school to be spent in 18/19
More Prosperous Torbay			
Investment Fund		20.8	Investment Property acquisition. Loan approved by Investment

		1.0	Committee September 2017 to support adult social care
Transport – Edginswell Station	(0.1)		Delayed to 2018/19 pending funding options
Attractive and Safe place			
Parkwood Leisure loan re TLC	(1.0)		Reviewed likely expenditure pattern to be in part in 2018/19
Paignton Harbour Lights Redevelopment	(0.6)		Redevelopment expected in 2018/19
Princess Gardens Fountain		0.1	Major structural repair work agreed by officers to be funded from site related income and s106 contributions
Corporate Support			
Essential capital repairs	(0.4)		Review of likely expenditure needs
Enhancement of Development sites	(0.1)		Part budget transferred to next year
Flexible Use of Capital Receipts		0.3	To reflect 2017/18 budget to use capital receipts to fund costs of service reform
Estimate – Quarter Two 2017/18, total £104.0m	(2.4)	22.2	

8 Receipts & Funding

8.1 The funding identified for the latest Capital Plan budget is shown in Appendix 1. This is based on the latest prediction of capital resources available to fund the budgeted expenditure over the next 4 years.

9. Grants

9.1 Since the last Capital Plan update (Quarter 1 2017/18) reported to Council in September 2017, the Council has not been notified of any additional capital grant allocations.

10. Capital Receipts

10.1 The approved Plan relies on the use of £3.4m capital receipts. The Council already holds a capital receipts reserve of £2.1 m at 31 March 2017 and a further £0.4m was received by the end of September 2017, leaving a target of £0.9m still to be achieved.

10.2 This target is expected to be achieved provided that approved disposals currently “in the pipeline” are completed, the Council continues with its disposal policy for surplus and underused assets no more new (or amended) schemes are brought forward that rely on the use of capital receipts for funding.

10.3 The Government has allowed more flexible use of capital receipts to fund revenue expenditure on projects which will generate ongoing revenue savings. In 2017/18 the

Council has budgeted to use £0.3m capital receipts in this way and a further £0.3m in 2018/19.

11. Capital Contributions – S106 & Community Infrastructure Levy

11.1 Income from Section106 capital contributions so far in 2017/18 amount to £0.2 million.

Appendices:

Appendix 1 – Exempt report – Debtor “Write Offs” over £5,000 – Quarter Two 2017/18

Appendix 2 - Capital Plan expenditure and funding summary – Quarter Two 2017/18

Appendix 3 - Capital Plan 2017/18 – Performance Summary

CAPITAL PLAN - QUARTER 2 2017/18 - EXPENDITURE

Appendix 1

							Revised 4-year Plan Sept 2017				
	Latest Est Scheme Cost	Expend in Prev Years (active schemes only)	Actuals & Commitments 2017/18 Qtr 2	Previous 2017/18 (@ Q1 17/18)	2017/18 Q2 Adjustments	New Schemes 2017/18	Total 2017/18 Revised	2018/19	2019/20	2020/21	Total for Plan Period
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PB = Approved Prudential Borrowing schemes											
Protecting children and giving them the best start in life											
Brookfield House Site	550	465	23	64			64				64
Capital Repairs & Maintenance 2014/15 (incl. Furzeham)	902	668		159	(150)		9				9
Capital Repairs & Maintenance 2015/16	256	21	1	51	(51)		0				0
Capital Repairs & Maintenance 2016/17 & 2017/18	866		235	704			704				704
Cockington Primary expansion	3,142	3,074		1	6		7				7
Devolved Formula Capital			107	223			223				223
Early Years - Ellacombe Academy Nursery	721		18	657	25		682				682
Early Years - White Rock Primary Nursery	313		93	293	85		378				378
Education Review Projects			28	208	(102)		106	200	559		865
Ellacombe Primary expansion	552	469	11	6	6		12				12
New Paignton Primary school	509	2		502			502				502
Paignton Academy Places - mobiles	500	1		19	(19)		0				0
Secondary School places	2,132	185	139	687			687	1,225			1,912
Special Provision Fund	500						0	166	167	167	500
Torbay School Relocation	2,800	35	12	630			630	2,000			2,630
Whiterock Primary expansion	3,930	3,574	31	43			43				43
Youth Modular Projects	409	372		37			37				37
	26,948	8,866	698	4,284	(200)	0	4,084	3,591	726	167	8,568
Working towards a more prosperous Torbay											
PB Claylands Redevelopment	10,000	0	154	478			478	5,500	4,000		9,978
DfT Better Bus Areas	462	263	2	87			87				87
DfT Local Sustainable Transport Fund (Ferry/Cycle)	1,643	1,639		4			4				4
PB Edginswell Business Park	6,620			3,000			3,000	3,620			6,620
PB Employment Space	6,644	0	6,552	5,644			5,644	1,000			6,644

CAPITAL PLAN - QUARTER 2 2017/18 - EXPENDITURE

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		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PB	= Approved Prudential Borrowing schemes											
PB	Investment Fund	88,999	21,054	46,314	46,133	(2)	21,814	67,945	0	0		67,945
PB	NGP - Torbay Innovation Centre Ph 3 (EPIC)	7,740	696	371	2,125			2,125	4,862	677		7,664
	Old Toll House, Torquay	150	4	2	146			146				146
PB	South Devon College - Loan	4,000		4,000	4,000			4,000				4,000
PB	South Devon Highway - Council contribution	20,224	12,670	49	1,361			1,361	1,000	407		2,768
PB	Street Lighting - Energy reduction Ph2	1,132	1,131	2				0				0
PB	TEDC Capital Loans/Grant	2,690	1,327		725			725				725
	Transport - Edginswell Station	520	511	9	101	(91)		10	2,600	1,400		4,010
	Transport Integrated Transport Schemes			129	1,630	(9)		1,621	1,063	1,063	1,063	4,810
	Transport Structural Maintenance			280	1,673			1,673	1,174	1,174	1,174	5,195
	Transport - Torquay Gateway Road Improvements	3,875	604	295	82			82	1,800	1,000		2,882
	Transport - Torquay Town Centre Access	625	208	36	327			327				327
	Transport - Tweenaway Junction	4,871	4,775	23				0				0
	Transport - Western Corridor	7,803	1,571	3,014	3,945			3,945				3,945
PB	Upton Place, Lymington Road (Student Accommodation - Town Hall Car Park)	14,200			200			200	10,000	4,000		14,200
		182,198	46,453	61,232	71,661	(102)	21,814	93,373	32,619	13,721	2,237	141,950
Ensuring Torbay remains an attractive and safe place to live and visit												
	Babbacombe Beach Road	70	0		70			70				70
	Beacon Quay Toilets refurbishment	117	0	39	11			11				11
PB	CCTV equipment	372	0		372	13		385				385
	Clennon Valley Sport Improvements	70		1	69			69				69
	Flood Defence schemes (with Env Agency)	686	625	16	56			56				56
PB	Freshwater Cliffs Stabilisation	375	0	11	16			16				16
	Haldon Pier - Structural repair Phase I&2	3,064	3,012	7	18			18				18
	Harbour Workboat	45	0	11	11			11				11
	Hollicombe Cliffs Rock Armour	1,544	0	528	855			855				855
PB	Paignton Harbour Lights Redevelopment	600	0		600	(600)		0	600			600

CAPITAL PLAN - QUARTER 2 2017/18 - EXPENDITURE

Appendix 1

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		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PB	= Approved Prudential Borrowing schemes											
PB	Parkwood Loan re Torbay Leisure Centre	1,701	0		1,701	(1,000)		701	1,000			1,701
	Princess Gardens Fountain	122					122	122				122
	Princess Pier - Structural repair (with Env Agency)	1,744	0	1	544			544	1,200			1,744
	Torbay Leisure Centre - structural repairs	545	535		3			3				3
	Torre Abbey Renovation - Phase 2	5,010	4,992		18			18				18
	Torre Valley North Enhancements	127	3	2	105			105				105
	Torquay Harbour -Town Dock Pontoons replacements	220		15	220			220				220
		16,412	9,167	631	4,669	(1,587)	122	3,204	2,800	0	0	6,004
Protecting and supporting vulnerable adults												
	Adult Social Care		0		631			631				631
	Affordable Housing	2,404			0			0	1,430	974		2,404
PB	Housing Rental Company - Loan							0	5,000	10,000	10,000	25,000
	Sanctuary HA - Hayes Road Pgn	500	250		250			250				250
	Disabled Facilities Grants			435	1,216			1,216				1,216
	Empty Homes Scheme	500	39		0			0	457			457
	Private Sector Renewal				0			0	113			113
		3,404	289	435	2,097	0	0	2,097	7,000	10,974	10,000	30,071
Corporate Support												
PB	Corporate IT Developments	1,000	0	104	499			499	250	250		999
PB	Council Fleet Vehicles	463	322		141			141				141
PB	Essential Capital repair works	2,625	0		625	(400)		225	1,400	1,000		2,625
	Enhancement of Development sites	278	75	5	203	(150)		53	150			203
	Flexible Use of Capital Receipts	600					300	300	300			600
	Payroll Project	370	346	3	22			22				22

CAPITAL PLAN - QUARTER 2 2017/18 - EXPENDITURE

Appendix 1

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		Latest Est Scheme Cost	Expend in Prev Years (active schemes only)	Actuals & Commitments 2017/18 Qtr 2	Previous 2017/18 (@ Q1 17/18)	2017/18 Q2 Adjustments	New Schemes 2017/18	Total 2017/18 Revised	2018/19	2019/20	2020/21	Total for Plan Period
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PB	= Approved Prudential Borrowing schemes											
	General Capital Contingency	631	0		0			0	631			631
		5,967	743	112	1,490	(550)	300	1,240	2,731	1,250	0	5,221
TOTALS			65,518	63,108	84,201	(2,439)	22,236	103,998	48,741	26,671	12,404	191,814
CAPITAL PLAN - QUARTER 2 2017/18 - FUNDING												
	Unsupported Borrowing				65,361	(2,082)	21,814	85,093	28,916	19,618	10,000	143,627
	Grants				16,191	(100)		16,091	16,200	6,040	2,404	40,735
	Contributions				631			631	198	240		1,069
	Reserves				684	93	22	799	1,528			2,327
	Revenue				399		100	499	79	39		617
	Capital Receipts				935	(350)	300	885	1,820	734		3,439
	Total				84,201	(2,439)	22,236	103,998	48,741	26,671	12,404	191,814



Meeting: Overview and Scrutiny Board

Date: 29 November 2017

Wards Affected: All Wards

Report Title: Torbay Libraries – Appointment of Supplier

Is the decision a key decision? No

When does the decision need to be implemented? Immediately in order to facilitate Contract start date of April 2018

Executive Lead Contact Details: Cllr Richard Haddock - Executive Lead for Customer Services and Town Centre Regeneration, Richard.Haddock@torbay.gov.uk, 01803 207115

Supporting Officer Contact Details: Bob Clark, Executive Head of Customer Services, Bob.clark@torbay.gov.uk, 01803 207420

1. Proposal and Introduction

- 1.1 The Council, like most local authorities, is experiencing unprecedented pressure on its finances and must make savings and efficiencies from its annual budgets.
- 1.2 The Council has a statutory duty as set out in the Public Libraries and Museums Act 1964 whereby they must provide a 'comprehensive and efficient' Library Service for the benefit of those living, working or studying in the area.
- 1.3 Over the last 5 years the Council has continued to reduce the Library Services budget to a point where any further budget reductions would seriously increase the risk of the service being unsustainable. Continued reductions in the Libraries budget could reach a position whereby the Council would be unable to fulfil its statutory obligation.
- 1.4 Against this background it was therefore necessary to explore a range of options for the future of Library Services, to examine whether or not there were different external ways of delivering Library Services which would reduce operating costs; provide sustainability across our existing service outlets and deliver a more modern and innovative Library service.
- 1.5 In July 2016 the Council ran an "Expression of Interest" process and "bidder's event" which allowed organisations (including mutual's and voluntary sector organisations) the opportunity to advise the Council how they could improve the Library service in Torbay and achieve savings.
- 1.6 The outcome of this event was that the Council agreed to proceed with a formal Library procurement exercise and seek a Service Provider to deliver Library

Services on behalf of and under the supervision of the Council, delivering value for money and resulting in a reduction in the Council's Library service budget.

- 1.7 The Council went out to Competitive Tender for the provision of Library services in February 2017. The tender exercise was undertaken using the "Competitive Procedure with Negotiation" process to ensure the most suitable service provider was selected based on service quality; sustainability and affordability.
- 1.8 Three potential bidders responded to the initial Stage one tender Pre-Qualification Questions (PQQ), however only two bidders fulfilled our PQQ requirements. The two remaining successful bidders were invited to the Stage 2 "Invitation to Tender" process in April 2017. Bidders were given 40 days to respond to the Council's Invitation to tender with their Initial tender responses.
- 1.9 Following receipt of the bidders Initial Tenders, a thorough evaluation and negotiation process with the bidders has been undertaken, with the bidder's final tenders being received and evaluated early October 2017, which has resulted in the identification of a preferred supplier, namely Libraries Unlimited. Libraries Unlimited is an independent staff and community owned social enterprise, established in April 2016 with the support of Devon County Council. It is a not-for-profit organisation which works for community benefit, any surplus income generated is reinvested into the organisation and its services. Libraries Unlimited runs Devon County Council's public library service – 50 libraries across the county and 4 mobile libraries.
- 1.10 If a contract is awarded, the preferred supplier will ensure the sustainability of the Library service within Torbay for the next 5 years (with an option to extend the contract by a further 5 years) whilst making a revenue saving of approx. £804k over the initial 5 year term of the contract. There will be some one-off upfront costs of £107k for Library ICT upgrades which would be necessary even if the Council were to retain its library provision in house. There will also be some staff transition costs of moving to the new provider which are estimated to be between £294k and £354k.
- 1.11 It is recommended therefore, that Torbay Council enter into a five year (+5 yr extension) contract with Libraries Unlimited for the delivery and management of the Library services within Torbay.

2. Reason for Proposal

- 2.1 It is recommended that the Council enter into the contract with Libraries Unlimited in order to;

1. **To achieve revenue savings** - Budgetary pressures affecting the Council mean that the Library Services has to be delivered more cost effectively and in a different way in order to sustain the current level of service whilst achieving further savings to the Revenue budget. The proposed new Library Service provider would achieve a Revenue Budget saving of around £804k over the initial 5 year term of the contract and provide a sustainable service in terms of operational service delivery.
2. **To create a sustainable Library staff structure.** - The current Library service has an ageing staff profile, with limited opportunities for career development and is at risk of potential staff shortages due to early retirements, sickness and

holiday clashes. A new larger service provider, with a larger local staff base, will offer more flexibility in terms of staff cover and career development.

3. **To provide a Library service which meets the needs of the Community** - The library service has to meet the needs of Torbay's public and business community in an effective and efficient manner. The new service provider will enable people who live, work and study in the borough to have continued access to all existing library services, including books, archives and other resources (including electronic resources) to meet their information, learning and leisure needs. Opportunities to participate in activities, events and learning programmes relating to the resources will also be provided.
4. **To ensure the Council retains control over Library accommodation assets** - The Council will not lose control over the current Library accommodation assets. The contract with a new Library Service provider will not impede any future developments which may impact on our current Library sites. The Council would retain the opportunity to change or relocate Library sites if it so wished.
5. **To enable the Council via its new partner to raise additional funding through grants and sponsorship** - The proposed new service provider is a Social Enterprise company and registered charity. As a charity, they can access a wider range of fundraising sources than the Council and can benefit from Gift aid to support the development of Torbay's libraries into the future. Libraries Unlimited have been very successful in rising additional grant funds from the Arts Council for Devon County Council Libraries.

3. Recommendation(s) / Proposed Decision

The Overview and Scrutiny Board to consider the report and below recommendations to Council and determine if they wish to make any recommendations.

- 3.1 That Council approve the proposal to enter into a Service delivery contract with an external Library Service Provider to deliver and manage Torbay Libraries.
- 3.2 That the Director of Corporate Services and Operations be given delegated authority to enter into a five year contract (with an option to extend for a further five years) to be awarded to the preferred bidder, 'Libraries Unlimited', with the contract to commence in April 2018.
- 3.3 That Council note that the upfront costs of entering into this contract of £107k for Library ICT and estimated to be between £294k and £354k for staff transition costs, both of which will be funded from the Comprehensive Spending Review Reserve.

Appendices

Appendix 1 – Financial Analysis (EXEMPT)

Appendix 2 – Tender evaluation – Reason for choosing Libraries Unlimited

Section 1: Background Information

1.	<p>What is the proposal / issue?</p> <p>Torbay Council has budgetary pressures and limited resources to continue to provide a sustainable Library service which meets our statutory obligations.</p> <p>Following a successful procurement exercise it is proposed that the Library service be managed and delivered by a new external Library service provider from April 2018.</p>
2.	<p>What is the current situation?</p> <p>Torbay's libraries offer a wide range of services, and satisfaction levels are consistently high. However over the last 5 years the Council has continued to reduce the Library Services budget to a point where any further budget reductions would seriously increase the risk of the service being unsustainable. Continued reductions in the Libraries budget could reach a position whereby the Council would be unable to fulfil its statutory obligation.</p> <p>Against this background it was therefore necessary to explore a range of options for the future of Library Services, to examine whether or not there were different external ways of delivering Library Services which would reduce operating costs; provide sustainability across our existing service outlets and deliver a more modern and innovative Library service.</p> <p>Since unitary status in 1998, the Library service has successfully been delivered in-house by a dedicated team of Library professionals. The library service is responsible for management and development of four static libraries in Torbay, each offering the same range of core services. These include a range of physical book stock to suit all ages, DVD and CDs for hire, free access to library computers and WiFi and a number of activities and events to meet local need.</p> <p>Torquay Library is the 'headquarters' for the service.</p> <p>Paignton Library and Information Centre (PLAIC) is a part lottery funded multiagency hub offering library services, the Council's Connections and Registrar services, South Devon College Adult and Community Learning, South Devon Health Care Trust Carers service, Healthwatch, Devon and Cornwall Police, and a cafe.</p> <p>Churston Library is the smallest in the Bay with the lowest footfall in terms of physical visits but a high rate of stock issues.</p> <p>Brixham Library is a medium sized Library and also hosts the registrar service and the Connections Self Service function.</p> <p>Each library has its own friends group which organises events, support the service and raises money to purchase items that otherwise would not be affordable.</p>

In order to be inclusive, a service for residential homes is managed by the Bibliographical Services section based at Torquay library. 'Mini-Library' collections are held within Torbay's Children's Centers and other community venues to provide access for vulnerable families at a distance from their local library. A service for housebound customers in Torquay and Brixham is coordinated by library services in partnership with Rotary Club Torquay, and Brixham Does Care respectively.

Volunteers help to provide a range of extra services that support the library service offering.

3. What options have been considered?

The following options have been considered:

1. Do Nothing.

This option would not make any additional budget savings and does not support the development of the service so therefore was discarded.

2. Service to remain in-house:

Many options have been considered based on the service delivery remaining **In-House**. These include:

- Further top slicing of budget.
- Further staff re-structuring.
- Reducing Library opening hours
- Closing Library(s)

These options however would simply continue to "erode" away the service, provide a worse service to the public, has limited long term service sustainability, and is high risk in terms of the Council meeting its statutory Library service obligations.

These options were therefore discarded and would only have been considered further if the tender exercise had been unable to identify a preferred new Library service provider.

3. Seek to find a new service provider via Competitive tender

The result of the tender exercise has identified a preferred supplier. The preferred supplier will ensure the sustainability of the Library service, at least maintaining existing services within Torbay for the next 5 years (with an option to extend by 5 years) whilst making a Revenue budget saving of approx. £804k over the 5 year term of the contract.

(see Appendix 1 - Financial Analysis)

4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan?</p> <p>This proposal supports the Council’s ambition to create a Healthy Torbay by libraries offering services which support the national Health and Wellbeing agenda. The new Library service provider will deliver Library services which deliver the cultural, educational, social economic and wellbeing outcomes specified in the Libraries outcome specification.</p> <p>This proposal supports the principle “use reducing resources to best effect” by addressing new more cost effective ways of delivering the library services.</p> <p>It supports the principle of an “integrated and joined up approach” by recommending the commissioning of a new external library service provider.</p> <p>This proposal also indirectly supports a number of targeted actions, namely:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Protecting all children and giving them the best start in life <input type="checkbox"/> Promoting healthy lifestyles across Torbay <input type="checkbox"/> Protecting and supporting vulnerable adults
5.	<p>How does this proposal contribute towards the Council’s responsibilities as corporate parents?</p> <p>This proposal will support the “Corporate Parenting” agenda by the offering numerous library services to young children and adolescents (and parents) throughout their early years.</p>
6.	<p>How does this proposal tackle deprivation?</p> <p>The proposal will support the Council tackle issues associated with deprivation by offering a comprehensive and affective free library service to all members of Torbay’s community.</p>
7.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>There will be no adverse effect on our current library user community, and therefore no formal public consultation is proposed. The existing provision will be maintained initially and the new library service provider will, over time, deliver a much improved library service which will be to the benefit of all the current library user community. The new library service provider will be encouraging a greater take up of library services and increased engagement with Community groups and the hard to reach sector.</p> <p>It is envisaged that there will be some staffing changes, and staff will be consulted through the appropriate Human Resources channels.</p>

8.	<p>How will you propose to consult?</p> <p>As detailed above, no formal public consultation is proposed. A Forward Plan notice was published on 23 February 2016, and the developing proposals have been discussed at numerous public meetings, including Policy Development and Decision Groups, Overview and Scrutiny meetings, and the ultimate decision will be made in public.</p> <p>Staff will be consulted through any resulting staffing changes through the appropriate Human Resources channels.</p>
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Section 2: Implications and Impact Assessment

9.

What are the financial and legal implications?

Exempt Appendix 1. – Financial Analysis - outlines the financial business case to support the proposal to engage with Libraries Unlimited as Torbay's new Library service provider.

There are some additional year 1 upfront costs of entering into this contract which will be funded from the Comprehensive Spending Review Reserve. These costs are associated with ICT investment (£107k) and estimated staffing transition costs of between £294k and £354k, although the actual costs could come in much lower than this.

The cumulative 5 year forecast shows a Revenue saving of around £804k over the 5 year contracted period.

We have a statutory responsibility to deliver a library service, and awarding this contract will ensure that the Council is able to deliver against this.

10.

What are the risks?

If this proposal is not supported then the Council will have to continue to deliver the Library service in-house and make budget savings through top slicing and a reduction in some Library site opening hours. The continual eroding away of the Library service provision will put the Library service at risk in the future and temporary closures through lack of resources may be inevitable.

Risks associated with implementing the proposal:

As with any new service contract there is an element of risk in terms of the quality of service being delivered and any unforeseen additional costs which may be incurred during the term of the contract.

These risks will be managed through a robust client side contract management and KPI monitoring process to ensure the Library service is being delivered in line with the contract specification and that any unforeseen additional costs are discussed through the "change mechanism" contract monitoring process.

There is a risk that the staff transition costs could exceed our worst case estimate.

There is a risk that the Council may need to make further changes to the contract price during the 5 year term which may result in the Service provider withdrawing their service.

There is a risk that Libraries Unlimited will not be able to satisfactorily integrate the Council's Library staff teams into their proposed new structure which could affect the viability of their financial bid.

There is a risk that the Council may not be able to fund future capital investment to relocate or improve Library locations to improve service delivery and further reduce costs.

	<p>There is a potential future risk of differing views being held in relation to the future role and strategic positioning of the Library service; and degree of modernisation/transformation (including capital expenditure) required by the Library service.</p>
11.	<p>Public Services Value (Social Value) Act 2012</p> <p>The recommendation is based upon the results of a thorough procurement exercise, aimed at providing the service and improving the economic and social benefits of the service.</p> <p>The new Library service will deliver activities which support Torbay’s Health and Wellbeing agenda.</p> <p>There is scope for the new service provider to work in new ways with a wide range of organisations, including the TDA, Public Health, the Torbay Culture Board and a range of public and private sector organisations so that libraries can better support the economic, social and cultural wellbeing of Torbay.</p> <p>The new supplier’s vision is to bring ideas, imagination, knowledge and creativity to people’s lives and communities.</p>
12.	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>The recommendations is based on the results of a thorough procurement/evaluation/negotiation tender exercise.</p> <p>A detailed Library tender Service Specification was written based on evidence collected via a Library Needs Assessment; an evaluation of current Library usage and associated costs; alignment with the Government Libraries taskforce guidance document “Libraries deliver: Ambition for Public Libraries in England 2016 -2021”; Library staff and Friends groups; researching Library service best practice via Library services groups and other Library Authorities.</p>
13.	<p>What are key findings from the consultation you have carried out?</p> <p>The Library Needs Assessment and the evaluation of the current library usage has guided the procurement of a new supplier.</p>
14.	<p>Amendments to Proposal / Mitigating Actions</p> <p>None</p>

Equality Impacts

15	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people	<p>ASCEL's 'Children's Promise' highlights the importance of the physical environment; the warmth of welcome and the range of core activity as foundation blocks for an engaging, high quality library service. Torbay's existing offer will be improved at low cost through reviewing these. The reach of the library service will be maximized through partnership working and ensuring that engagement with children, young people and families is a high priority and that all library activities are inclusive and accessible to both old and young alike.</p>		

People with caring Responsibilities	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community.		
People with a disability	Improved outreach facilities to vulnerable and 'hard to reach' families.		
Women or men	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community.		
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community.		
Religion or belief (including lack of belief)	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community		

People who are lesbian, gay or bisexual	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community		
People who are transgendered	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community		
People who are in a marriage or civil partnership	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community		
Women who are pregnant / on maternity leave	The reach of the library service will be maximized and all library activities will be inclusive and accessible to all members of Torbay's community		

Socio-economic impacts
(Including impact on child
poverty issues and
deprivation)

There is scope for the new service provider to work in new ways with a wide range of organisations, including the TDA, Public Health, the Torbay Culture Board and a range of public and private sector organisations so that libraries can better support the economic, social and cultural wellbeing of Torbay.

The new supplier's vision is to bring ideas, imagination, knowledge and creativity to people's lives and communities. Growing the supplier's geographical footprint into Torbay enables that vision to reach almost 1 million people.

Public Health impacts (How will your proposal impact on the general health of the population of Torbay)

The new Library service will deliver activities which support Torbay's Health and Wellbeing agenda.

The new service provider believes that libraries can have a significant impact on the health and happiness of the people who use them regularly. Their annual Active Life Active Mind programme demonstrates how their existing network of libraries provides opportunities for people to explore and improve their mental and physical health and wellbeing.

The new service provider will explore with Torbay's Public Health team and other partners the potential for expanding the Council's range of services supporting health and wellbeing in line with identified needs in the Joint Strategic Needs Assessment.

16	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	Future decisions made by the Council in relation to changes to the current Library accommodation could impact on the new service providers ability to deliver Torbay’s Library services in accordance with the Council’s Library’s delivery specifications and contract.
17	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	None that we are aware of at the moment.

Appendix 2. - Tender evaluation – Reason for choosing

There are many reasons why **Libraries Unlimited** have been chosen as our proposed new Library Service Provider. The following lists some of the key reasons:

1. Quality and Operational Competence

Through Libraries Unlimited extensive experience running Devon’s library service, they have tried and tested business continuity processes in place to avoid unplanned closures. They operate an extensive system of relief cover across 50 libraries in Devon and understand how to effectively deploy staff at short notice and, in a planned way, to cover annual leave requirements. They will bolster Torbay’s existing relief cover by calling on relief staff from Newton Abbot, Totnes and other nearby libraries.

They have a strong track record of increasing opening hours for no additional cost. Their 2015 Community Pilots programme involved working with 13 communities across Devon to develop new approaches, increasing access to the service through innovative business models and co-production with local communities. These new approaches can be considered for Torbay’s Libraries.

2. Equality Impact Assessments

Libraries Unlimited bring significant experience in developing Equality Impact Assessment, Needs Assessment and consultation documents, having undertaken opening hours reviews and large-scale public consultations in Devon in recent years. They were identified as an exemplary service, whilst in Devon County Council, for the thoroughness of their equality impact assessments during the Devon Libraries’ public consultation in 2014.

3. Back Office Library functions

There will be opportunities for existing Libraries Unlimited services to add value to the Torbay offer:

Collection HQ

They will explore the potential of integrating Torbay’s libraries into their contract with Collection HQ. This software analyses stock performance data to support effective purchasing, rotation and editing of stock. It provides information on areas that are underused or understocked; produces lists of the most popular authors/titles to support stock promotion; and analyses the data of other CollectionHQ public library customers to identify other popular titles not currently in their own stock.

Inter-library Loans

They will explore opportunities to merge the Devon and Torbay inter-library loan services. There is the potential to share their UnityUK subscription and DX courier account. Torbay libraries would be able to make direct use of their music and play sets service.

‘Choices’ Reading Groups Service

They will explore ways to enable reading groups across Torbay to access their ‘Choices’ Service which currently serves more than 300 reading groups across Devon. For a modest annual charge, this service gives groups access to almost 600 sets of titles that have been selected for their literary merit or scope to inspire discussion.

4. Digital Offer

Building on their experiences of opening the first Fab Lab in a UK public Library, Libraries Unlimited would start with a small, accessible offering for young children, using equipment such as Makey Makeys, Tiddly Bots etc., which require little or no training and are ideal for staff, parents/carers and children to learn together. This will help test whether the development of a Fab Lab in Torbay is feasible. If the Council would like to see this concept developed, Libraries Unlimited would seek external funding and explore the potential to align with South Devon College who are making significant investment in their own digital technologies.

5. Outreach to vulnerable and 'hard to reach' families

Libraries Unlimited have experience of delivering Bookstart programmes to vulnerable families using venues such as Food Banks and women's refuges. Existing contacts with Children's Centres, and the capacity of the Bookstart Coordinator could help identify scope for reaching out to vulnerable families in Torbay. Their 'Books on the Beach' initiative in 2016 saw hundreds of families introduced to library services. This initiative could be delivered in Torbay's seaside locations for very little cost.

Their new 'Unlimited Potential' project (funded by a £245,000 Arts Council grant) is building on this experience by developing creative ways of engaging families least likely to access library services. They will share their best practice with Torbay staff and stakeholders as the project develops over the next 12 months.

6. Information and Learning.

Libraries Unlimited can offer considerable transferrable experience in developing and delivering information and learning resources and activities as well as their existing offer that can be extended into Torbay.

Information

As an information provider, they will contribute an extensive range of online resources to complement Torbay's current service offer alongside extensive experience of promoting such resources and supporting staff in increasing take-up.

Activities

Libraries Unlimited activity programme in Devon has been developed and refined over several years. 'Active Life', 'Active Mind', for instance, has been running since 2012 and in every year, has generated over 150 events focused on Health and Wellbeing across the library network.

The Devon programme of activities for people with additional needs currently includes shared reading groups for people with memory loss and mental health challenges, visually-impaired reading groups and Read Easy sessions, etc.

They encourage staff initiative and innovation at a local level. As a result, in addition to their annual scheduled events programme, libraries across Devon deliver regular activities such as shared therapeutic reading groups, talks, mindfulness and craft sessions for all ages. Sharing staff expertise and good practice will allow us to deliver an extensive service offer to Torbay while offering the capability to adapt programmes to local need.

FabLab and BIPC

Evidencing their commitment to sustainable innovation, Libraries Unlimited has specific expertise related to the successful delivery of two Fab Labs (Exeter and Barnstaple) and a Business and IP Centre. Bringing this commitment and culture of innovation to Torbay creates an opportunity to tap into relevant funding sources to extend the Fab Lab activities and outcomes to Torbay.

Partnerships

Libraries Unlimited have several existing partnerships with organisations that work across Devon and Torbay, including the South Devon and Torbay CCG and Active Devon. Their partnership with Active Devon, for instance, includes joint activities during our Active Life, Active Mind month of activities, offering opportunities to work seamlessly in partnership across local authority boundaries on funding bids and public engagement.

7. ICT Support

Experience

Libraries Unlimited ICT team has extensive experience in delivering and supporting library ICT systems. Their Head of ICT & Digital, leads ICT strategy and will lead the transfer of ICT from the Council to Libraries Unlimited. The ICT team includes skills in supporting all library systems from RFID self-service and public access to technical hardware/software support.

Libraries Unlimited have well-established relationships with providers such as Bibliotheca and Axiell (and will share an LMS (Library management System) with Torbay) which they will utilise for the benefit of Torbay libraries.

Technical Ability – Supporting the Library Management System:

Torbay Libraries and Libraries Unlimited use the same Library Management System.

Libraries Unlimited will have already set up SPARK and Arena with their own systems and processes by contract start date. They will use this learning to smoothly integrate Torbay's LMS systems into the Libraries Unlimited back office systems.

They have developed significant knowledge of the system during the LMS implementation project, working closely with Axiell. Torbay and Devon colleagues have worked side-by-side to develop the system with Axiell and have good working relationships.

Torbay's Library systems team will integrate well with Libraries Unlimited systems team and this will be helped by the geographical proximity of the teams. The Torbay team and Libraries Unlimited colleagues will be expected to work alongside each other to share experiences, knowledge and ideas for the development of the system to the benefit of both Torbay and Devon authorities and customers.

By fully integrating the Devon and Torbay library management systems during year 1 of Libraries Unlimited contract to run the council's library service, it would open up access for customers to a much greater quantity and range of stock and the benefits of a single library card.

Efficiency savings can then be made by restructuring and integrating both the bibliographic services and the systems/online services teams.

ICT Implementation Plan:

Libraries Unlimited has been working closely with Devon County Council to smoothly transfer all its library ICT systems and services into their structure. They therefore have highly relevant recent experience to apply and understand many of the dependencies and challenges involved in the process. This will help Libraries Unlimited plan the Torbay Council's implementation in detail, pending further conversations. They believe that it is realistic to plan for a six-month implementation process due to the complexities involved.

8. WEB, Comms, Marketing.

Libraries Unlimited have significant experience in rebranding library services, including Devon Libraries as part of Devon County Council (2008) and new charity Libraries Unlimited (2016).

They follow a communications and marketing strategy to raise awareness of services and have an established social media following.

As Libraries Unlimited, they have built their reputation, online following and stakeholder relationships. They have achieved significant media coverage and grown their social media following and engagement by 50%.

As a charity, they have a free Google AdWords advertising allocation, part of which will be used to promote Torbay Libraries services.

They have experience of developing guidelines, improvement processes and systems. Being engaged in a process of continuous improvement creates opportunities for economies of scale in embedding sophisticated practices in delivery of Torbay Library services.

They are able to extend the range of e-books, e-audiobooks and other e-resources available to customers, thereby broadening the appeal of library services to new audiences, including Zinio, Naxos Music Library, and COBRA.

They encourage staff to share stories where they have made a difference; e.g. helping people get a job or connecting lonely people. They are becoming increasingly sophisticated in using data and stories to capture social value and impact. As part of their social value research project with the University of Exeter they are establishing ways for staff to develop deeper organisational understanding of social value. They would use their learning to inform additional ways to demonstrate the outcomes that Torbay services deliver.

9. Business and Project support

Libraries Unlimited have an experienced Leadership Team which provides support on a range of projects and programmes. Key staff are PRINCE2 and MSP trained providing rigour to the project management process from the development and formalisation of ideas and first concept stages to delivery and post project completion close down reporting. Their current team has strong experience ranging from establishing the organisation as a separate, stand-alone charity, and managing building projects and refurbishments to winning and delivering external funding projects.

Their Head of Commercial & Innovation has previous experience of developing and delivering town centre regeneration schemes, and a Business Improvement District and is aware of the value this work can bring to the wider economy and the Library Service.

10. Fundraising

Libraries Unlimited staff team have extensive experience of raising funding and managing projects from a wide range of EU, national and local grant awarding bodies – from small to large scale, including the Arts Council and HLF. They will bring this experience to this contract, and will prepare a fundraising strategy, in conjunction with the Council.

As a charity, they can access a wider range of fundraising sources than the Council and can benefit from Gift Aid. They are developing an individual giving scheme and introducing branded donation boxes, which will benefit Torbay.

Fundraising for local studies provision

Libraries Unlimited believe that local studies provision is an area ripe for securing additional funding, through business sponsorship, linkages with tourism or through grants from the Heritage Lottery Fund. They have strong existing skills and a track record in securing external funding in this area that would allow them to deliver considerable added value to Torbay Libraries.

11. Room and space hire

Libraries Unlimited have prioritised generation of income in Devon through room hire as a key source of additional income, resulting in c£300K income in 2016/17. They have modernised and improved the end to end processes, including bookings, promotion and payments, and library managers have income targets for room hire built into appraisals. Libraries Unlimited feel there is scope to generate more income in Torbay using the expertise they have developed.

12. Daily collection and delivery of stock

If necessary, Libraries Unlimited are able to build on their existing contract with Devon Norse as their van/courier delivery service. The contract has recently been reviewed and renewed for a further 3 year period. Norse has extensive experience of providing their delivery service and has operated with a high level of satisfaction.

13. Review and improve local studies website

Over time and in agreement with the Council, Libraries Unlimited will review and improve the local studies website. At this stage, they would consider creating a mini-site to act as a new 'landing stage' for the site. The website would offer an engaging and interactive front-end and link through to the catalogue of resources.

The website would use images, case studies, videos and infographics to give users a better understanding of what is available on the site and how they might use it. The aim would be to create a colourful website that is easy to use for a range of audiences, including children and young people to encourage a younger audience to explore local resources.

14. Extend "Adopt A Book" scheme

Over time and in agreement with the Council, Libraries Unlimited could consider introducing their highly successful Adopt A Book scheme in Torbay. This initiative, developed and

funded as part of the Carnegie Library Lab programme, encourages people to sponsor conservation of some of the most valuable and rare items in the collection. In less than 3 months, more than £3,000 has been generated to conserve a number of items.

15. Home Library Service

Libraries Unlimited have experience of working with a delivery partner (Royal Voluntary Service) to increase the number of clients and volunteers accessing the service. They currently serve nearly 700 people across Devon, with deliveries being made by nearly 250 volunteers based in 42 library locations.

Opportunities for an integrated stock catalogue can provide housebound clients access to the extensive regular print, spoken word, eBook and large print collections currently available in Devon. Given the high cost of spoken word and large print items in particular, this will benefit Torbay customers with access to significantly more stock.

16. Residential Homes Service

Libraries Unlimited transitioned towards a volunteer-led service to clients in residential homes which was carried out in Devon over a period of 18 months which has delivered a personalised service tailored to individual needs; released library stock previously committed to bulk deliveries and enabled savings on the provision of services. This approach could also be implemented in Torbay.

17. Transfer of Service - Initial Set up Tasks - Workforce:

In any transfer of services its vitally important that the transfer is well planned and staff are efficiently integrating into the new Service providers culture.

Libraries Unlimited has a team of experienced senior and operational managers who will create a sound foundation for the transfer and integration of the Council's staff. The team are committed to welcoming and working with staff who transfer, providing support to manage transition effectively.

Libraries Unlimited Chief Executive and Head of Service Delivery will play an integral role in engagement during the transfer process, providing reassurance, a clear direction and vision for the future provision of the service. Highly experienced in change management they will work hard to support and engage staff through a period of significant change.

As a mutual owned by staff and Friends Groups engagement is at the heart of everything they do. They have reviewed their governance arrangements to broaden their scope so transferred staff can join Libraries Unlimited as full members of the organisation and will be able to stand for election as staff trustees, having significant opportunities to help shape the organisation as it grows and develops. Libraries Unlimited will increase the size of their elected Staff Forum to provide a place for an elected Torbay representative.

They have established, with their Workforce, Resources and Remuneration Committee (a sub-committee of their Board), employment terms and conditions for staff that join them post-transfer. These include a defined contribution pension scheme and spot salaries, providing an opportunity to generate savings and a high quality employment offer. Their financial model assumes that staff turnover will average 6% per annum.

Libraries Unlimited are developing an Apprenticeship programme, in response to the Apprenticeship Levy, and recognition of the need to diversify their workforce. They have recruited a Finance Apprentice and plan to recruit an ICT Apprentice. They are participating in the Chartered Institute for Library and Information Professionals (CILIP) Trailblazer group developing a national standard for library apprentices. They will extend this programme to Torbay as resources allow.

Libraries Unlimited have a wide range of volunteering opportunities to suit all backgrounds and experience. Role descriptions are available on their website. They regularly look to develop new roles to enhance services and meet individual community needs.

Young people can volunteer to support a variety of activities such as the Summer Reading Challenge, Book Track or craft activities and take part in accredited awards/schemes. Roles vary in time and commitment, offering the chance to gain valuable work experience, develop confidence and skills, and make a positive contribution to communities. All roles can be extended into Torbay libraries.

18. Staff Training:

As part of a bigger library service, Torbay staff will have increased opportunities for training and development.

Libraries Unlimited recognise the role wellbeing plays in enabling staff to perform – staff have access to a free, confidential Employee Assistance Programme and we are developing a Staff Wellbeing Charter to drive further good practice. They annually review employee engagement with a staff survey.

19. Libraries Unlimited - Close Proximity to Torbay

Libraries Unlimited was set up during 2015 and 2016 by the managers and staff who now run the company. With the transfer of Devon's library services in April 2016, They have recent successful experience of managing the transfer of a complex library service out of local authority control and into their organisation. Lessons learned from this experience are reflected in the approach and proposals they have detailed in their bid submission, including their awareness of key challenges they are likely to face.

Libraries Unlimited is based in the Devon County Council area, with strategic bases in Exeter, Cullompton and Newton Abbot. This geographical proximity means that they will be able attend regular meetings with Torbay teams, staff, stakeholders and Client Unit with ease, including at short notice should any issues arise which require it.

20. Transfer of Torbay Library Services.

Libraries Unlimited has significant experience in ensuring a smooth transfer of the Library services from the council. Their appointment as provider of library services by Devon County Council required them to implement a comprehensive, robust transition plan to ensure effective transition and business continuity.

This helped them understand the level of resource, governance, skill and experience required to ensure smooth transfer. It highlighted the need for a partnership approach

between local authority and library service. They have created a robust infrastructure involving systems, processes and business support services that support exit processes. Effective project management arrangements are essential, supported by clear governance structures.

Their recent experiences in delivering the Devon County Council Libraries transfer will assist in delivering a smooth transfer of Torbay Library services also.

21. Contract Monitoring:

Shaped by the origins of Libraries Unlimited as an organisation spinning out from a local authority, quality management tools as customarily used in public libraries form the backbone of their approach.

Libraries Unlimited will monitor and control a series of measures against service delivery outputs and internal organisational standards, including numbers of issues of stock items, visits, member activity, events, outreach, computer and Wi-Fi use, etc. and contribute to the annual CIPFA return. Their sophisticated stock management set-up delivers detailed data on bibliographic services performance.

Based on their strategic objectives, their annual service plan helps them deliver on their 5-year business plan. They operate a clear planning and reporting framework with quarterly reviews with the Devon commissioning team, agreeing a service plan and proposed fees and charges annually. This process can be adopted in Torbay.

22. Additional KPIs and Social Impact

At Libraries Unlimited, quality is about much more than measuring outputs. They are currently adapting systems and methodologies to the requirements of a public service mutual and social enterprise, including management of outcomes and social impact.

They are investing significantly in a new quality management system to monitor, control and improve delivery of outcomes through library services, including social, health, economy, learning and culture. Arts Council England have awarded them a £200,000 grant to deliver a research project into the measurement of the social value they deliver, in partnership with Exeter University Business School, the Open Data Institute and the Real Ideas Organisation.

23. Value for money in stock purchasing

Through the integration of Devon and Torbay's catalogue and library management systems, customers will have access to a total stock of over 1 million items, creating significant value for money with regard to stock budgets, a significant benefit of Libraries Unlimited being located in close proximity to the Torbay area.

24. Collection HQ

Libraries Unlimited holds a CollectionHQ subscription. They will explore the feasibility of extending the use of this to an analysis of Torbay's stock and loan data. By analysing current stock use, this can further support value for money by suggesting a breakdown of the stock budget by categories of stock and individual libraries. The suggested allocations are then refined to reflect average prices for different categories of stock, and also where they need to invest in stock to generate income, for example purchase of DVDs.

CollectionHQ also has a 'Discovery' module which analyses issue data from their other UK customers to list titles which are proven to issue well. This information can be used to suggest suitable purchases for the purpose of stock revision.

25. FM & Asset Management:

Libraries Unlimited have extensive experience of an in house asset management and FM service when they were part of Devon County Council, where the service was operated by NPS and Devon Norse on behalf of DCC. From this experience they understand the value of clear reporting lines between the Library operator and the FM/asset management team and would be able to establish this relationship from the outset. In particular they understand the need to have a clear point of contact. Libraries Unlimited Head of Commercial & Innovation will therefore act as their main point of contact between the TDA and Libraries Unlimited. Their Head of Commercial & Innovation has experience of working with the TDA on a range of projects in the past, relating to business support.

Libraries Unlimited have extensive experience of identifying and realising utilities savings. In their existing buildings they have implemented a range of energy saving measures including solar PV, energy efficient boilers, automatic lighting in meeting rooms and low flush loos. With the advent of the open water market, they are also exploring with a range of suppliers what savings could be made through switching, and they will also explore this for Torbay's contract.

In their current buildings they have a range of tenants from the public, private and third sectors and they work with a range of them to ensure that their customers can benefit from their service offer. They also ensure that their tenants are aware of what a modern library service can offer them and their client groups.

Libraries Unlimited are continually involved in actively seeking new partnerships and users for their spaces, an approach that they can replicate in Torbay. For example, they are developing innovative arts and cultural partnerships with local and national organisations to use their spaces for live theatre and live casting, and they are also working with organisations to provide business advice and digital skills support – all of which they could replicate in Torbay.

26. Equipment Refresh:

Capital investment in Devon's libraries has been a successful element of service modernisation. Libraries Unlimited have significant experience in working with library designers and furniture contractors and are exploring with the School of Architecture & Design at Plymouth University how they can bring fresh ideas to modern 21st century library design.

Libraries Unlimited is a registered charity and can leverage opportunities to access multiple funding streams not necessarily available to Local Authority or private sector providers.

As external funding opportunities allow, Libraries Unlimited will bring their digital making expertise to Torbay, which they believe would draw a new audience into Torbay Libraries. Ultimately and dependent on customer response, Libraries Unlimited could seek external funding to provide a Fab Lab in Paignton Library.

27. Health And Safety

Libraries Unlimited has a tried, tested and successful approach to managing health and safety compliance within its 50 buildings, an approach which has been refined over many years, and which is now proposed to be extended to Torbay. HROne are experienced in the provision of health and safety advice to the public sector and to academies and private sector clients.

28. New Complimentary Services:

Through Libraries Unlimited existing innovative approach to service provision, they are able to offer the Council the following new and complementary services subject to appropriate resources being available:

- **FabLab:** they believe that the local community could benefit from access to enhanced digital technologies through their existing FabLab offer. Libraries Unlimited will look at ways in which they could extend this offer to Torbay Libraries as resources within the contract allow.

- **Business and Intellectual Property Centre:** The Business and Intellectual Property Centre, based in Exeter Library, can deliver a range of outreach services in the Authority's libraries. Subject to available resources Libraries Unlimited will agree the scope for workshops and events for business start-ups and potential entrepreneurs in the Bay within the resources available.

- **Living Knowledge Network:** Exeter Library participates in a new and innovative partnership with the British Library to share content with public libraries. Libraries Unlimited regularly live stream cultural and learning events from BL and find that these screenings attract existing and new audiences. Libraries Unlimited plan to live stream some Living Knowledge Network events in Torquay and Paignton libraries from April 2018.

- **Health and wellbeing:** Libraries Unlimited believe libraries have a significant impact on the health and happiness of the people who use them regularly. Their annual Active Life Active Mind programme demonstrates how their existing network of libraries provides opportunities for people to explore and improve their mental and physical health and wellbeing. Libraries Unlimited would like to explore with Torbay's Public Health team and other partners the potential for expanding the Authority's range of services supporting health and wellbeing in line with identified needs in the Joint Strategic Needs Assessment. Other commissioning opportunities with other parts of the Authority and the TDA may present themselves over the lifetime of the contract, including digital inclusion, skills development and lifelong learning.

- **Arts and cultural activities:** Libraries have enormous potential as spaces for people to engage with arts and cultural activities. Libraries Unlimited bid to Arts Council England for National Portfolio Organisation (NPO) status was successful, and will give them the opportunity to develop libraries in their portfolio as spaces for a range of arts and cultural engagement for all existing library users and potential new audiences. Libraries

Unlimited anticipate working with the Torbay Culture Board to identify ways library spaces can develop as effective and dynamic cultural places in line with the aspirations of the Great Places initiative.

29. Inspiring Vision and Leadership

Taking frontline staff through transformation and change needs inspiring and energetic leadership at all levels of the organisation. Libraries Unlimited's experience transforming Devon's library service into one that is recognised nationally as one of the most innovative in the country testifies the importance of a strong vision and ability of senior managers to convey that vision inspiring and motivating frontline staff. Their Chief Executive (Ciara Eastell OBE) is particularly effective at engaging library staff and providing a positive and dynamic vision of the potential for library services to impact positively on people's lives. Ciara is very well networked in the library world with extensive connections regionally, nationally and internationally. Libraries Unlimited anticipate that for many Torbay staff feeling part of an organisation which is taking positive steps to make sure libraries thrive, rather than just survive, will have a motivating effect.

Their experience from a major public consultation in Devon in 2014, along with other stakeholder engagement since, puts them in a strong position to lead this work to transition Torbay Libraries into a new Library service provider.

Their vision as an organisation is to bring ideas, imagination, knowledge and creativity to people's lives and communities, working in partnership with our communities and their stakeholders to deliver social value and impact within our communities.

Libraries Unlimited would bring their ethos, values and vision as an organisation, as well as their detailed knowledge of the ways in which library services can support individuals to live happier, healthier lives to bear in shaping the Library Strategy for Torbay. They also bring extensive experience of national and international best practice and policy within the library sector to bear on the strategy development work.

30. Fees and Charges:

Libraries Unlimited use a sophisticated financial system integration tool, which will enable them to offer a detailed monthly analysis of fees, charges and other income to all libraries and managers.

As a charity, they will use their contacts and experience to fundraise from trusts and foundations to support the development of Torbay's libraries. They will also bring their commercial experience in room hire to increase revenue in Torbay

31. Customer Surveys:

Libraries Unlimited use many ways to gain feedback from customers and communities on the services offered through the library service. They undertake an annual customer survey and are committed to senior managers talking directly to Friends Groups and other user groups to hear directly their feedback on the service provided.

32. Business Continuity Planning:

Libraries Unlimited is already working closely with insurers on Business Continuity Planning for their operations in Devon and they will use this experience to quickly develop and agree a BCP for Torbay. This Plan will use the latest up-to-date guidance and thinking and so will ensure they are in a good position to address any future issues or challenges that may arise in Torbay.