



Please reply to: Nick Bye
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Voluntary Sector Partners

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Dear Colleagues,

Torbay Together – facing up to the funding challenge

I am writing to you on behalf of Torbay Council regarding the government's budget announcement and continuing deluge of updates.

In simple terms, the Chancellor has indicated that most local authorities across the country will have to find savings of around 25% over the next four years.

Just to put the situation in context we estimate that we will have to find savings of between £11.6million and £13.8million in the next financial year alone (the figures are attached as Appendix 2).

This is a huge challenge for us and despite some still significant unknowns, such as Torbay's funding allocation for next year, I wanted to share with you our plans in setting a budget for 2011/12 and thereafter.

In addition, much of what we do is with our partners. Appendix 1 shows the breakdown of the current total annual spend of £1,114m by the public sector in Torbay.

Torbay Council

The work for 2011/12 builds on the work we are already doing in terms of looking at how we can provide more efficient services for less money in the future.

Income

The council receives income from government through a variety of sources. In respect of income, we are assuming the following:

- Council Tax (currently represents around 50% of our revenue income) – there will be a freeze for 2011/12, but the government has indicated there may be financial

Schools and services for children and young people • social care and housing • recycling, waste disposal and clean streets • community safety • roads and transportation • town planning • tourism, harbours and economic regeneration • consumer protection and licensing • leisure, museums, libraries and arts

If you require this in a different format or language, please contact me.

support to compensate for this action. We do not know what that yet means in terms of the amount of money that will be available to us.

- Income from government – we do not know at this stage how the predicted 25% cuts will be spread over the four years and we will not have the detail until November or December. We have used two scenarios, the first is an even spread over the four years and the second is a higher reduction (front loaded) in year 1. Both scenarios assume our overall budget will go down to some £118m at the end of four years. Appendix 2 contains both scenarios.
- Grants – we are assuming that there will be far fewer grants available.
- Income from activities – we must ensure that we are maximising our income potential.

Expenditure

Our spending assumptions are:

- Pay in 2011/12: we are assuming a pay freeze for this year although there has been no decision on this for local government. (Local government pay is agreed nationally through a body known as the Local Government Employers). Similarly, no decision has been taken as to whether the £250 for employees paid less than £21K p.a. applies to local government. We expect to know more when the funding allocation is announced.
- Inflation – we do not use a single, general inflation indicator but calculate where possible on the different aspects of our budgets.
- We have made an assumption that interest rates will remain much as they are now – this impacts on the money we pay out in interest and the money we receive.

Approach to making the savings:

The council has made significant savings over the last three years and we expect this to continue for 2011/12.

In looking to propose the budget our approach will be what we are calling: “A, B, C” and “T2”.

- A is Asset management – continuing the programme of asset (people and property) rationalisation and streamlining of business processes that we have already begun.
- B is Budgetary control – it is absolutely vital that we manage within our 2010/11 budget. We do not want to carry forward an overspend.
- C is Cost reduction – this is the critical area and there are a number of approaches.
 - Zero base the council’s budget (zbb) - this means working out what the council has to do as a minimum to deliver statutory services i.e. those we are required to deliver by law. When we have that information we will discuss with Councillors, communities and partner organisations what their priorities are and build services back in.

- Workforce management – some 65% of our expenditure is on people. If activity is reduced through the choices made, following the zbb exercise, we will need fewer people. Some of the work we have already done in introducing streamlined business processes and greater use of technology has reduced the number of posts across the council. We are already looking at vacancy control and will continue to monitor this closely.
- Contract review - we will review our contracts to see if renegotiation would bring any benefits either in cost reduction or change to service delivery. This will not be easy as we already have some very competitive contracts. We will also be looking at procurement generally to squeeze out further savings.
- Grant review - we have traditionally funded many different agencies either by direct grant or by a form of contract or service agreement. We recognise how dependent some of our partner organisations are on grant funding from the council and we need to be sensitive to this but we cannot avoid considering this kind of expenditure.
- Sharing and joining – we will be looking to make some immediate gains by partnering with other parts of the public sector as soon as possible. We already have a joint Internal Audit function with Plymouth and Devon and share services in other areas. We will need to pick up the pace on this.
- Transformation 2 – we are working on further elements of transformation in this changed context.
 - Developing the Commissioning Model – the key question now is how we can help users to help us meet that need and in doing so deliver a better and cheaper service. We will also be looking at how we can work with communities and volunteers to help us deliver services in perhaps a different and innovative way. If you have any proposals in this respect, we would be pleased to hear from you.

Timescale

I have asked Commissioners to develop the Zero-based budget for their areas by mid September. This will then be challenged by other Commissioners and we will then work with Cabinet to consider priorities and the adding back in.

We will have a series of Star Chambers (as we have had in previous years) in November to challenge worked up draft budget proposals.

I hope to produce my draft budget in December and then there will be the Overview and Scrutiny review of the budget in January/February before finalisation by Full Council in March. I may have to present my budget proposals before we receive Torbay's figures. Therefore, changes may then be required.

Consultation/dialogue

You will have realised that this will be our biggest budget challenge yet. There will be reductions in the number of people employed in the Council. I am continually asked how many. It is not possible to say and may not be possible for some time. When the situation in respect of our assumptions is clearer after the announcement of the Spending

Review in October, we may be able to be firmer about the extent of savings needed. How many people we will need will depend on what level of activity the Councillors decide we can have within our budget envelope. By law we have to set a balanced budget.

Councillors will be involved in discussions as part of their communities and within their political groups. The setting of the budget is ultimately a decision made by all Councillors sitting in Full Council in February.

The TSP will work together to align decision making on resources wherever possible.

There will be a series of dialogues with communities and the involvement of Overview and Scrutiny in the late summer and again through Overview and Scrutiny in the spring.

Some of the planned events are:

- Three Community Partnership public meetings will take place in Torquay on 23 September, Brixham on 27 September and Paignton on 28 September. Information about these meetings will be sent to you shortly.
- The Torbay Connect caravan is being used to engage with the community. Future events include, Paignton on 24 August, Torbay Regatta week 20-25 August, Occombe Music Festival 28-29 August.

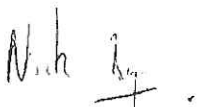
It is vital in times of major legislative changes that we support and strengthen partnership working between the voluntary and public sectors and make it easier for small front-line groups to collaborate in providing services. We plan to hold an event during October that will provide an opportunity to understand the value and role of our Civil Society in Torbay and for them to influence funding and decisions.

In the meantime if you would like any further information the Torbay Strategic Partnership section of the council's website will be regularly updated. This can be accessed at www.torbay.gov.uk/newcoalitionpolicychanges

If you would like to make any suggestions or receive any further information please email funding.challenge@torbay.gov.uk or if you wish to discuss any issues please telephone Caroline Taylor, Deputy Chief Executive on 01803 207116 , Ian Knee on 207058 or Bernard Page on 207021

I would be pleased to receive any comments you may have on the above.

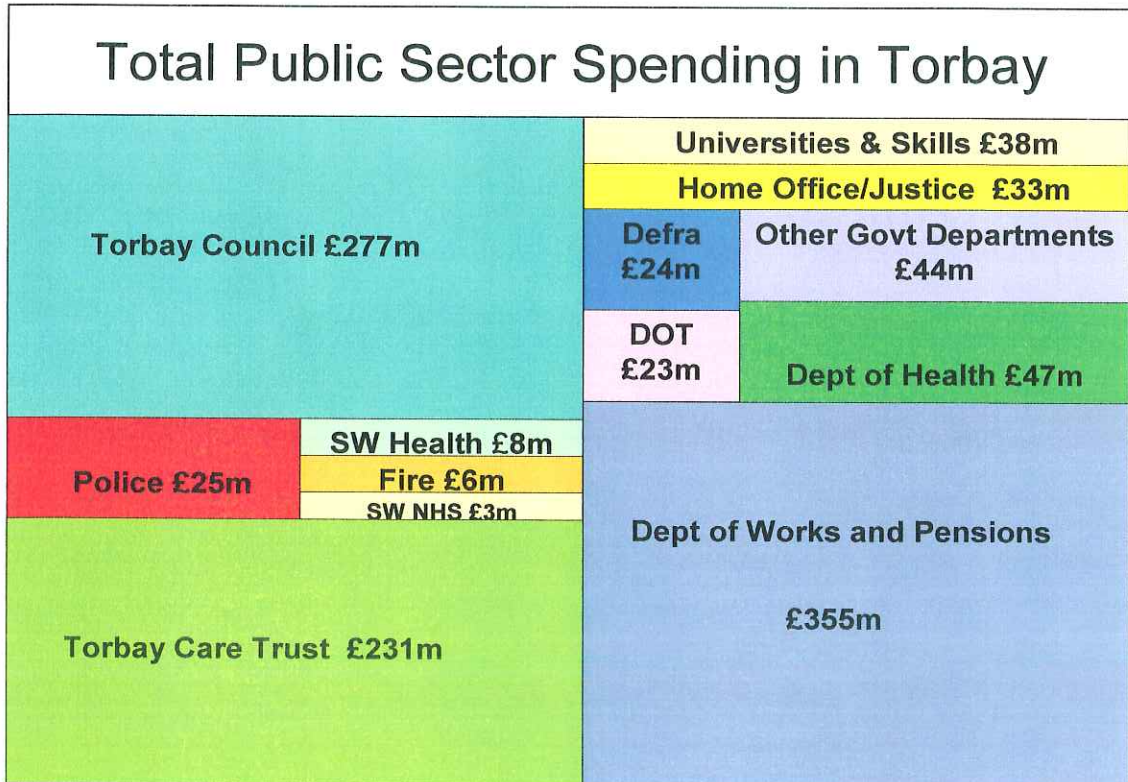
Yours sincerely,



Nick Bye
Mayor of Torbay

Appendix 1

Torbay Strategic Partnership: Funding Challenge (Illustrative) – Current annual totals before any reductions resulting from this autumn’s government’s Comprehensive Spending Review.



Appendix 2

Torbay Council – Spending Challenge

Scenario 1 – 25% reduction spread evenly over four years.

	09/10 £000m	11/12 £000m	12/13 £000m	13/14 £000m	14/15 £000m
Est. Income	132.9	127.9	124.5	121.5	118.8
Est. Expenditure	133.9	139.5			
Save	1	11.6			

Scenario 2 – 25% reduction 'front loaded' in year one.

	09/10 £000m	11/12 £000m	12/13 £000m	13/14 £000m	14/15 £000m
Est. Income	132.9	125.7	124	121	118
Est. Expenditure	133.9	139.5			
Save	1	13.8			