

TELFORD & WREKIN COUNCIL

CABINET 13th OCTOBER 2008

SERVICE & FINANCIAL PLANNING: 2008 – 2012

REPORT OF THE CHIEF EXECUTIVE & CORPORATE DIRECTOR:RESOURCES

1. PURPOSE

To brief Members on the medium term service and financial planning context ahead of more detailed consideration of the 2009/10 service planning and budget process.

2. RECOMMENDATIONS

- 2.1 Members are asked to note this background context as they consider the review of their current 2008/09 -2010/11 service and financial strategy and move their medium term planning on to the 2011/12 period and beyond.**

3. THE POLICY & STRATEGIC CONTEXT

- 3.1 For any organisation to be effective and successful, it must ensure that its resources are planned and managed well. The Council's Service & Financial Planning process is the key way in which we bring together the community's needs, local and national policy objectives and performance information alongside the resources that are available. Through this process, we seek to develop a comprehensive strategy for agreeing priorities and resourcing services and initiatives that will improve the quality of life in the Borough.
- 3.2 In March 2008, a medium-term Service & Financial Planning Strategy for 2008/09 – 2010/11 was approved. This strategy, which was informed by the Community Strategy and emerging Priority Plans and Local Area Agreement (LAA), was developed by carrying out a comprehensive assessment of service pressures, developments and savings options and through extensive consultation with a wide range of stakeholders.
- 3.3 Our medium-term Service & Financial Planning Strategy is based on a number of guiding principles, endorsed by strong community support. These are:
- Adopting an approach to resource allocation which acknowledges the diverse needs of different parts of the community but ensuring that the Council **operates in an even-**

handed way and spreads resources fairly and transparently across the Borough;

- Putting forward a package of policy proposals and service investments that are informed by and **address key community and organisational needs, expectations and priorities;**
- As far as resources allow, **protecting key frontline services from cuts** that would harm service quality and impact adversely on service users
- Setting **an efficiencies and service savings target of at least £3m p.a.** to help minimise Council tax increases and to enable reinvestment in service priorities which will include service redesign and an invest to save strategy;
- Continuing to work hard to **attract external funding and investment to support key priorities and projects**, through external grant aid and generating additional income and investment;
- Adopting an **asset rationalisation and disposal** programme to review property needs, to reduce operational costs and realise capital receipts to fund key investment priorities;
- Seeking to **minimise the level of Council Tax increase** but balancing that with the growing demands on Council services and costs, and minimising service cuts;
- Using a **prudent balances strategy**, informed by a risk assessment of all reserves and balances, to help minimise Council Tax increases, secure key investments and protect service delivery.

3.4 The Service & Financial Planning Strategy also includes 3-year investment proposals which were identified through the establishment of a number of clear and tangible **priority policy objectives**. These objectives were developed from an assessment of needs, opportunities and the explicit improvement priorities of the community. These are:

- Tackling crime, anti-social behaviour and alcohol misuse;
- Protecting and maintaining services for older people and vulnerable adults and children;
- Delivering high quality education services and facilities;
- Regenerating and improving our Borough Towns and most deprived communities;

- Promoting growth and prosperity;
- Maintaining, protecting and improving the local environment and rural areas;
- Enhancing customer service and improving organisational efficiency

4. THE FINANCIAL CONTEXT

A Overview

4.1 The Council has a gross annual revenue budget of around £367m and a capital programme of just under £41m in the current year alone - a business with a turnover of around £0.4bn a year. The net revenue budget for the current year stands at £214m after adjusting for specific government grants, charges for services, rents and investment income, and this is funded as follows:

	£m
Gross Revenue Budget	367
Less : Specific grants and other income	-153
Net Budget including Education	214
Less :Dedicated Schools' Grant	-96
Net Budget	118
Funded by-	
Revenue Support Grant	64
Council Tax and balances	54
	118

4.2 Around 75% of our net budget (including Education) is spent on Education and Social Services –just 25% on everything else the Council provides. Council Tax funds only 25% of the net budget and under 15% of gross revenue spending.

4.3 Council Tax levels for the Council's own services are currently around £818 for average properties (band B) and £1,051 including parish, police and fire spending .Band D equivalents are £1,052 and £1352 respectively . Tax levels for the same County and District services in the rest of Shropshire have risen some 20% faster over the last 10 years than in Telford & Wrekin and now stand some £120 more on average.

B 2008/09 Budget

- 4.4 The current year's budget includes funding from the first year of a 3 year government grant settlement which covers the period 2008/09-2010/11. The Council received a good grant settlement but is still losing over £7m of its grant entitlement through the grant damping mechanism and even by 2010/11 will still be losing over £5m pa...a total loss of around £18m funding over the 3 years .

With greater grant certainty from the 3 year settlement the Council was able to agree a 3 year strategy including

- A 3 year investment package with a net revenue budget impact of £3.6m rising to £7.4m by 2010/11
- A strategy of additional savings of £3m pa ie rising to cumulative ongoing savings of £9m annually by 2010/11. This included a detailed package of proposed savings for 2008/09 totalling £3.06m
- Use of £1.23m balances in 2008/09 falling to below £1m pa by 2010/11
- A 2008/09 council tax increase of 4.3% falling annually to an increase below 3.5% by 2010/11

C Medium Term Financial Background

- 4.5 The Council is now reviewing its current 3 year strategy to 2010/11 and rolling it forward to consider the period of the next 3 year grant settlement from 2011/12 to 2013/14. There will be a particular focus on 2011/12 which will form year 3 of the new 3 year planning window . This is currently a difficult period to project forward for government grant levels because-
- A new 3 year grant settlement ,including grants for 2011/12 ,will not be known until around December 2010
 - A new Comprehensive Spending Review takes place in 2009 setting new public sector planned spending totals for 2010/11-2012/13
 - The current economic downturn on top of existing pressures on public sector finances is likely to lead to a much tighter grant settlement for 2011/12 and after than at any time in over a decade
 - A general election and potential change of government is due by 2010 at the latest
 - Results of the review of the distribution formula for Dedicated Schools' Grant will be announced in 2010 for implementation in 2011/12
- 4.6 Rising inflation (CPI now 4.7%) plus the current upheavals in the financial markets exacerbating the move of the economy into recession ,herald a period of significantly increased pressure on local government budgets
- Rising demands on key services as a result of the recession- homelessness ,benefits ,social services ,community support etc. plus the impact of changing demographics including an ageing population
 - Real terms cuts in government grant funding
 - Sharply rising inflation on key council budgets
 - Falling income levels

- The uncertainty of the Single Status process and its impact on pay
- Falling asset values reducing and delaying planned capital receipts
- A widening gap between planned Housing Growth targets and those achieved
- Reduced availability of partner budgets for jointly funded initiatives

4.7

All this against a background of relatively low existing council tax levels locally which will make it difficult to balance up the priorities for supporting existing services alongside the additional funding requirements of the many new initiatives to boost the area which will be coming on stream by 2011 onwards if not before-

- Building Schools for the Future-Campus Telford & Wrekin
- Town Centre redevelopment
- Borough Towns Initiative
- Telford Sports Learning and Enterprise Community
- Regenerating new town estates
- New Waste Disposal facility

D 2009/10-2011/12

4.8 Current projections of the base financial position over the next 3 years taking account of the budget decisions taken in March 2008 show a cumulative funding gap in the range of £8.1m to £9.2m by 2011/12 depending on Government grant funding assumptions .But this is **before taking account of**

- An updated view of inflationary impacts
- Future Council tax increases -
- Use of Balances
- The Level of Additional Savings and Investment Programmes for 2011/12

	2009/10	2010/11		2011/12
Shortfall b/f	1.23	3.80		6.54
Annual deficit	2.57	2.74		2.76-3.82
Cumulative Base Deficit	3.80	6.54		9.30-10.36
Adjusted for				
Agreed Pressures & Developments package	2.09	4.27		4.80
Savings	(3.00)	(6.00)		(6.00)
Funded by tax rise /balances	2.89	4.81		8.10-9.16

5.0 MOVING FORWARD

5.1 Service & Financial Planning strategy

Having agreed a 3 year investment strategy and capital programme in

March ,any review of the programme will have to work within the overall revenue cost envelope which has been approved .The overall programme will be revised in more depth as part of the budget process for 2010/11 when it will move on to include the period 2011/12 and after as well .By then there will be more information available around the cost of some of the Council's major investment initiatives, and the government's CSR 2009 will give some guidance on future public spending levels. Instead the focus is more on developing a £3m package of savings to be in place for 2009/10 and setting in train a wider savings programme to generate further annual savings packages for 2010/11 onwards including work on a rolling programme of service reviews to

- Assess relative service and service level priorities against affordable resources
- Consider alternative service provision options
- Streamline service delivery/generate efficiency savings
- Review income generation and external funding opportunities
- Review Invest to Save opportunities
- Review the organisational structures

In addition to the £3m package of savings for non Education services, Education budgets themselves continue to experience significant pressures as a result of a variety of Government and local initiatives, funding changes and the impact of rising inflation. Education services will thus be aligned to the Corporate process and are developing a £280k savings package for Education budgets to be in place for 2009/10. They will also participate in the wider medium term savings programme in parallel with the continuation of the Children's Trust work on the alignment of resources to priorities and category of need identified within the Children and Young People's Plan.

5.2 Consultation and Communication

As in previous years, consulting and communicating with the community on our future plans will be a key part of the Budget process. For the next two years, consultation is likely to be focused around the Budget guiding principles, particularly informing Council Tax levels and seeking views on savings options. Our approach will be to begin discussions after the publication of the draft Budget Strategy in November, involving the following groups:

Stakeholder Group	Consultation mechanism/forum
General public	Community Panel survey & Talking Point survey (online)
Parish and Town Councils	Parish Council Forum
Older people	Older People's Forum
Black and Minority Ethnic residents	Connecting Communities Group
Disabled residents	Disabilities Forum
Children and young people	Young People's Forum
Voluntary sector	CVS Executive Meeting & Voluntary &

	Community Forum
Partners	LSP Meeting (Agenda Group)
Business Community	Chamber of Commerce Policy & Representation Board
Employees & Trade Unions	JCC Trade Union Meeting & Employee Focus Group Meeting
School Heads and Chairs of Governors	Schools Forum and Annual Schools Budget Consultation Meeting
Members	VFM Scrutiny Group

Looking forward, the Government has set out in its latest White Paper an expectation that all Councils will begin to engage in participatory budgeting from 2011/12. Participatory budgeting allows the citizens of an area (neighbourhood, regeneration or local authority area) to take part in the allocation of part of the Council's available financial resources. Whilst large-scale participatory budgeting would not be meaningful at the moment, we do need to develop our expertise therefore we will be seeking opportunities to pilot this approach on a smaller scale over the next 12-18 months.

5.3 Timetable

Detailed budget proposals will be considered by Cabinet in late November before a consultation period running through December and January. Cabinet will consider responses to the consultation in February before final budget and council tax decisions are taken on 5th March 2009 at full Council.

6. OTHER IMPLICATIONS

▪ Equal Opportunities

The Council has specific initiatives within its policy and financial plans to promote equal opportunities, which is at the heart of the Council's policies.

▪ Environmental Impact

The allocation of resources takes specific account of environmental issues facing the Council, in the context of other pressures and priorities.

▪ Links with Corporate Priorities and Risk

The report sets the strategy framework which includes consideration of both corporate priorities and the corporate risk register.

▪ Financial & Legal Comments

Costs of the consultation exercises proposed to inform the process can

be met from existing one-off resources this year.

This report forms part of the policy planning and budgetary framework that will result in the Council being required to set its budget and Council Tax levels by the March deadline laid down by the Government.

- **Ward Implications**

Borough Wide Strategy

- **Background Papers**

Financial Planning Model, RSG Papers ,Council Plan , 2008/09 Budget Strategy

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