

## **TELFORD & WREKIN COUNCIL**

**CABINET - 23rd FEBRUARY 2009**

### **SERVICE & FINANCIAL PLANNING: 2009/10 – 2011/12-OVERVIEW & REVENUE BUDGET**

#### **REPORT OF THE CHIEF EXECUTIVE & CORPORATE DIRECTOR: RESOURCES**

## **1.0 PURPOSE**

To approve a Service & Financial Planning strategy for the period 2009/10-2011/12 including specific budget proposals for 2009/10.

## **2.0 RECOMMENDATIONS**

Members are asked to recommend the following proposals for approval by 5<sup>th</sup> March Council.

**Members are asked to approve the following recommendations to 5<sup>th</sup> March Council :**

- **The Base Budget summarised in Appendix 1**
- **The Investment Programme and its funding outlined in Appendix 3**
- **The 2009/10 Savings Package of £3.8m in Appendix 5 plus £0.35m in Education services with an outline target of at least £6.4m additional savings over the 2010/11 and 2011/12 period;**
- **The Education budget strategy in paragraph 5.7**
- **Using £0.95m balances to support the ongoing revenue budget plus the associated policy for Reserves and Balances in appendix 6 .**
- **The creation of an additional £1m one off contingency funded from Treasury Management savings to be set aside in 2008/09;**
- **The Statement of the Chief Finance Officer in paragraph 5.8(supported by appendix 6 outlining the Robustness of Budget Estimates and Adequacy of Reserves);**
- **The policy framework for Reserves outlined in appendix 6C**
- **A Council Tax increase of 2.5%-a rise of just under 40p per week on the average bill for this Council's services .Future increases will also be held at this level for the 3 year planning period ,subject to the impact of the next 3 year grant settlement starting in 2011/12 .**

## **3.0 SUMMARY**

### **3.1 BACKGROUND**

This report along with the following papers on the agenda covering

- The Capital Programme
- The Treasury Management Strategy and
- Prudential Indicators

form the overall Medium Term Service & Financial Planning framework for the Council and propose the service priorities and budget for 2009/10. The report outlines the wide variety of challenges facing the area particularly from the deepening recession ,where the Council and its partners must look to take the lead on behalf of the people and businesses of the area.

### **3.2 UPDATED POSITION**

Given the unprecedented financial and economic situation still unfolding then ,as flagged back in December ,the Council has been reviewing its budget assumptions in the last few weeks to ensure that the budget for next year and medium term strategy up to March 2012 are based on the most up to date information available.

This has led to changes in a number of areas including :

- Treasury Management-investment income and borrowing projections have been updated to take account of changing interest rates and restructuring opportunities .We have also taken the opportunity to review the options provided by changes to regulations around capital accounting arrangements announced for 2008/09 .
- Income projections-this covers both revenue and capital income streams .Adjustments have been made to both base budget and the savings package to take account of the pressure on revenue income .At the same time additional prudential borrowing coupled with the new capital accounting arrangements and borrowing restructures ,have given flexibility to accommodate delays on capital receipts and allow key schemes such as the Borough Towns Initiative to continue and give a boost to the local economy.
- Inflation-the base budget was being compiled while inflation trends were peaking in the Autumn so assumptions have now been revisited to take account of the recessionary impacts driving inflation down.
- Credit Crunch response-a range of initiatives to help local people is being developed for the next 12 months including a one stop advice centre and piloting changes to concessionary fares hours of availability.
- Leegomery centre redevelopment scheme-approved by Cabinet in January but not in the original proposals in December

Taking account of all these changes actually nets down to a 3 year financial projection only marginally different from that in the 8<sup>th</sup> December strategy papers. .:

### **3.3 PROPOSALS**

Members have considered the responses to their consultation process as well as updating budget assumptions with the latest information available in this period of rapid deterioration in the economy and looking at what initiatives the Council can lead to help local people and businesses .The resulting strategy proposals are

- Confirmation of the second year of the 3 year Investment Programme which invests a further £16m in infrastructure projects and £1.7m in services including Adult and Children's social services and Credit Crunch initiatives.
- A general savings package of £3.8m for 2009/10 plus a further £0.35m in Education services ,and target of at least £6.4m for the 2010/11 to 2011/12

- period
- Use of £0.95m balances to support the ongoing net budget in 2009/10
- An additional contingency for 2009/10 funded from the surplus generated by Treasury Management operations in 2008/09
- A council tax increase of 2.5% for 2009/10 and subsequent years in this planning period ,subject to the impact of the new 3 year grant settlement due for 2011/12 .

The summary below reflects the 2009/10 proposals,3 year savings targets and an investment programme which at present only runs to 2010/11 but will be reviewed as part of the 2010/11process starting very soon .

	2009/10	2010/11	2011/12
	£m	£m	£m
Shortfall b/f	1.23	6.08	10.33
Annual funding requirement including 3 year investment package -2008/09 to 2010/11	4.85	4.25	4.90
<b>Cumulative funding requirement prior to tax rise and savings decisions</b>	<b>6.08</b>	<b>10.33</b>	<b>15.23</b>
<b>Funded by:</b>			
Savings	<b>(3.80)</b>	<b>(7.00)</b>	<b>(10.20)</b>
Council tax increase of 2.5%pa	<b>(1.33)</b>	<b>(2.69)</b>	<b>(4.08)</b>
Use of Balances	<b>(0.95)</b>	<b>(0.64)</b>	<b>(0.95)</b>
<b>Funding Package</b>	<b>(6.08)</b>	<b>(10.33)</b>	<b>(15.23)</b>

#### **4.0 SERVICE & FINANCIAL PLANNING CONTEXT**

##### **4.1 STRATEGIC & POLICY CONTEXT**

For any organisation to be effective and successful, it must ensure that its resources are planned and managed well. The Council's Service and Financial Planning process is the key way in which we bring together our assessment of key issues and risks, the community's needs and expectations, local, national and regional policy drivers and opportunities, other service issues and pressures and service performance information alongside the revenue and capital resources that are available to us.

4.1.1 In undertaking our service and financial process through 2008/09, our starting point has been:

##### **a) The delivery of the LSP's Community Priorities**

The Council, as a member of the Local Strategic Partnership (LSP), is fully committed to the realisation of the vision of "a successful, prosperous and healthy community which offers a good quality of life for all the people of Telford & Wrekin", and the achievement of the Community Priorities which underpin this vision. The Council also supports fully the long-term ambitions for the Borough which are set out in Vision 2026 and is committed to the key

performance targets in the Local Area Agreement.

b) **The Council's current Corporate Strategy**

In March 2008, members agreed a three-year service and financial strategy. Its main aims were to maintain and, where possible, improve front-line delivery in priority service areas and also to fund projects and schemes which are fundamental to the long-term sustainability, viability and success of the Borough overall.

4.1.2 In putting in place our service and financial strategy last year, we were very clear that the Council was facing a difficult 3 years with many competing demands on our resources. The declining national and international economic position – and, in particular, the speed, diversity and volatility of the challenges it presents – has exacerbated this position. Our approach has always been to review our corporate strategy on an annual basis and current events have only served to heighten the importance of this review process.

4.1.3 As reported to Cabinet on 8 December 2008, we have gone through an extensive process over the past six months to ensure that our strategy remains up-to-date and fit-for-purpose.

**Understanding Key Issues & Challenges**

4.1.4 From our review of needs and key issues in the Borough alongside our current corporate strategy and policy framework, five issues have emerged clearly as the key focuses for attention:

- The need to ensure the on-going effective delivery of care and safeguarding services for vulnerable children and adults;
- Addressing and seeking to mitigate the effects of the current economic and housing downturn/'credit crunch';
- Linked to the issue above, the need to find ways to resource existing capital investment commitments, such as the Borough Towns Initiative, which were originally predicated on the short to medium-term realisation of receipts from land sales which are currently unlikely to happen for some time in the now economic climate;
- Review existing service budgets to explore and identify ways to realise significant efficiency and other cost savings that we need in order to support priority investments, retain a sustainable Budget Strategy and minimise Council Tax increases;
- The Cabinet was also asked, following a resolution from Full Council, to include as part of its consultations on developing the Budget consideration of the option of extending the current concessionary travel scheme.

**A. Care & Safeguarding Services for Vulnerable Children and Adults**

4.1.5 As indicated above, we identified 'protecting and maintaining services for older people and vulnerable adults and children' as one of our key priority policy objectives last year. This is an area where demographic pressures, the rising cost of care packages and the complexity of care packages place significant demands on our resources. There is also a national shortage of appropriately qualified and experienced staff and resulting vacancies can place additional pressures on service delivery. These are

vital services where we, particularly in relation to safeguarding our most vulnerable children and adults, must be constantly vigilant – the tragic case of ‘Baby P’ in Haringey underlines this. The profile and importance of this issue is also reflected in the feedback we have received from our consultations. We must continue to be consistent in the planning, delivery and resourcing of these services and are looking where possible, to further improve our performance in key areas.

## **B. Economic/ Housing Downturn**

- 4.1.6 The current economic and housing downturn is an issue of fundamental importance that has emerged much more profoundly in the past few months. There is a clear message from the Government – and internationally – that the public sector, at this time, needs to lead and show confidence particularly in relation to capital investment. The impacts and implications of the downturn are wide across the community and our priorities and services and seem likely to manifest themselves for a least the remainder of our medium-term planning period. These already include increasing levels of unemployment (with disproportionate increases in male unemployment and unemployment in certain wards) and benefits claimants, increase in short time working and temporary lay-offs, particularly in the manufacturing sector, cessation of major new-build housing developments, a relatively stagnant local housing market and decline in inward investment enquiries. Clearly, also, we must be very mindful of the growing financial pressure that households are and feel under when determining our Budget Strategy and the level of Council Tax increase.
- 4.1.7 In terms of our current strategy, we have put ourselves in a good position through the emphasis that we have already placed in our priorities on securing economic prosperity, increasing skills, regeneration and seeking to attract investment in the necessary infrastructure and facilities through planned and sustainable growth. The work that we are progressing in relation to strengthening our economic development capacity, progressing the development of Town Centre and regeneration of the Borough Towns and key targets in our Local Area Agreement (though many of these will prove even more challenging to achieve in the current conditions) are essential elements of delivering future success.
- 4.1.8 Our work in the West Midlands region and through the City Region are also important e.g. through the City Strategy we have secured c.£350k to help train and get into work unemployed people and those claiming benefits in some of our deprived wards.
- 4.1.9 An issue which our review work has identified as needing to be raised further up our list of priorities is in relation to Housing and the heightened concerns/priority given to this by local people can be seen clearly in the feedback that we have received during our consultations. The Cabinet has recommended that the Local Strategic Partnership adopt a new priority, within its Community Strategy, relating to ‘securing affordable, accessible and sustainable housing’. This will be considered by the LSP at its meeting on 18 March 2009. It is felt that this proposal will act as a clearer policy driver and, through the development of a Priority Plan, help to inform strategic investment and resourcing decisions and bring greater clarity and focus to our and partners’ work to stimulate and support the local housing market (both public and private), address homelessness concerns and link more closely housing market development, growth and regeneration.

## **C. Resourcing our Existing Capital Commitments**

4.1.10 This is addressed in the 'Financial Context' section of the report. A particular issue which we identified through our planning process has been the need to commit investment to Leegomery Local Centre to ensure the replacement of the Listen & Care facility and new local shops. In July 2006, the centre suffered a major fire which destroyed the supermarket and chemist shops. A major proposal was developed, consulted on and agreed which would significantly enhance facilities in the area and would include residential development to support the funding of the shops and a private developer contracted to carry out the works. However, in October 2008, contractual difficulties resulted in the contract being negated, the Council has taken the decision to fund the replacement of the shops and to rebuild them as soon as possible.

## **D. Delivering Efficiencies and Other Cost Savings**

4.1.11 Through our planning process, we have sought to identify, as a minimum, a package of efficiencies and cost reductions which totalled some £3m. In identifying these, we have sought to risk assess each proposal to ensure that it does not conflict with our budget guiding principles and impact significantly on our priorities. We are also embarking on a programme of major reviews of key service areas to begin work on identifying efficiencies and savings for 2010/11 and beyond.

## **E. Concessionary Travel**

4.1.12 The Council's Cabinet has been asked to seek the views of the community about funding the extension of the current concessionary travel scheme. At present, funding has been allocated for local residents aged over 60 and certain other groups to travel free on local bus services between 9.30am and 11.00pm Monday to Friday and all day at weekends.

Extending the scheme to offer free travel any time before 9.30am and after 11.00pm on weekdays could cost in the region of up to £700,000 depending on take up and impact on existing bus services and is not budgeted for in our current investment proposals.

## **4.2 CONSULTATION FEEDBACK**

4.2.1 As in previous years, consulting and communicating with the community on our future plans has been a key part of the Budget process. For 2009/10, consultation has focused on:

- Revisiting our Budget guiding principles in light of changing economic circumstances;
- Informing any further prioritisation of our investment package, particularly major capital projects and initiatives;
- Seeking views on our proposed approach to the savings package;
- Informing Council Tax levels; and
- Specific questions relating to the option of extending the free concessionary travel scheme.

4.2.2 Our consultation programme over the past two months has included:

Stakeholder Group	Consultation mechanism/forum
General public	- Community Panel survey (1,200 people) - Website questionnaire
Parish and Town Councils	- Parish Council Forum - Survey of all Town/Parish Councillors
Older people	- Senior Citizens Forum (1300 households) - Survey of Senior Citizen Forum members
Black and Minority Ethnic residents	- Connecting Communities Group
Disabled residents	- Disabilities Forum
Children and young people	- Young People's Forum - School Heads Forum - PVI sector/early years
Voluntary sector	- CVS Executive Meeting - Voluntary & Community Forum
Partners	- LSP Meeting (Agenda Group)
Business Community	- Chamber of Commerce Policy & Representation Board
Employees Trade Unions	- Portfolio Focus Groups, Managers' Forums and Team meetings/briefings - JICF Trade Union Meeting
Members	- VFM Scrutiny Group - All Political Groups

4.2.3 **Appendix 6a)** sets out full details of the feedback we've received from our extensive programme of **Community Consultation**.

**Appendix 6b)** sets out the formal response of the **Value for Money Scrutiny Group**, which will be presented to Cabinet by the Chair of the Group.

**Appendix 6c)** gives the response of the **Labour Group** .

A brief overview of the key messages from the community consultation is set out below.

#### a) **Budget Principles**

There is substantial support (80% +) amongst Community Panel respondents for the majority of budget principles set out in Section 5.2 of this report. The one exception is the principle to 'sell some of the Council's land and property to fund investment priorities (if it is practical and prudent to do so)', which only 57% of respondents strongly agreed or agreed with (25% strongly disagreed or disagreed).

#### b) **Investment Proposals**

Similarly, a high percentage of Panel respondents think that the **Priority Policy Objectives** that form the basis of our proposed investment package (see Section 5.2.6) are very or quite important to the community.

Whilst there is support for all the Priority Policy Objectives, **protecting services for older people, vulnerable adults and children** is the area that the highest percentage of both Community Panel (79%) and Senior Citizens Forum (88%) respondents identified in their 'top 3' priorities for the community overall. This is reinforced by 83% of Community Panel respondents (81% of Senior Citizens Forum respondents)

strongly supporting or supporting the Council's proposal to focus additional revenue spending around Adult and Children's Social Services.

Many of the groups and forums consulted expressed great concern about the **credit crunch**. There is support for funding to address its effects, particularly to **stimulate the housing market so that more people are able to access affordable housing**. Providing specialist **extra care housing** for older people also appears to be a particular priority (ranked as the 2<sup>nd</sup> highest long-term investment priority by the Community Panel, Senior Citizens Forum and Children and Young People's Forum).

A number of groups also highlighted the need to continue to **regenerate the Borough and to support the local economy**, although there are some concerns about the affordability of regeneration proposals in the current economic climate. Looking at where regeneration should be targeted, Community Panel and Senior Citizens Forum respondents highlight regenerating the **Borough Towns** as a higher priority than improving **New Town Estates**, although for the Children and Young People's Forum the position is reversed.

Proposals to continue our 'infrastructure' investment programme in **roads, footways and street lighting** are widely endorsed. Maintenance of roads and footways is the highest long-term investment priority for both the Community Panel and Senior Citizens Forum. A number of groups stressed the link between improving street lighting and **tackling crime and anti-social behaviour**, a key Priority Policy Objective, identified by 69% of Panel respondents as in their 'top 3' priorities for the community overall.

Delivering high quality education services and facilities through the **Campus Telford & Wrekin** initiative is also well supported, being the top investment priority for the Children and Young People's Forum. There appears to be particular support for the proposal to provide leisure and community facilities alongside the modernisation of schools so that all sections of the community can benefit from this investment.

### **c) Approach to Savings**

Across many of the groups and forums consulted there appears to be a strong expectation that the Council should manage its finances extra prudently at the current time, in particular focusing on **achieving, and striving to exceed, savings targets** (86% of the Community Panel strongly agree or agree with the principle of delivering at least £3m efficiencies and savings a year, as far as possible minimising the impact on the quality of services).

Whilst there are clear concerns about the impact of savings on service delivery (particularly the knock-on impact on the voluntary sector) and on Council employees, the Council has been urged to adopt a more strategic approach and to consider merging or closing services (Council for Voluntary Services) or fundamentally restructuring the organisation (Chamber of Commerce Policy & Representation Board, feedback from online survey).

### **d) Council Tax Levels**

Similarly, 92% of Community Panel respondents strongly agree or agree with the principle of seeking to **minimise the level of Council Tax increase**, balanced against growing demands for Council services and protecting services from cuts. This is

reinforced by 86% of Panel respondents (85% of Senior Citizens Forum respondents) stating that they strongly support or support bringing the level of Council Tax increase to below 4% in March 2009. There are similar levels of support for an increase of less than 3.5% in March 2010 (85% of Panel, 87% of Senior Citizens Forum).

Community Panel and Senior Citizen Forum members who did not support the proposal (5% of respondents in both cases) were asked to give their reasons for this view. The most common reason given was that the Council Tax increase should be significantly lower than the proposed level. In contrast, a few concerns were also raised about whether reducing the level of Council Tax increase would result in cuts to services.

#### **e) Concessionary Travel**

In terms of the specific proposal to **extend the concessionary travel scheme** (see Section 4.1.12), almost half (46%) of Panel respondents think that extending free bus travel before 9.30am and after 11pm is very/quite important for the community overall. This figure increases to 57% for the Senior Citizens Forum. Members of both the Senior Citizens Forum and Council for Voluntary Service suggested an initial 'half-way house' approach of extending free bus travel to commence from 9am rather than the current 9.30am.

### **4.3 FINANCIAL POSITION**

#### **4.3.1 2008/09 Budget Strategy**

The current year's budget was based on funding from the first year of a 3 year government grant settlement which was announced in December 2007 and 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 in 2008/09 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 this first 3 year settlement the Council was able to agree a 3 year strategy in March 2008 including:

- A 3 year investment package with a net revenue budget impact of £3.6m now rising to £7.6m by 2010/11
- A strategy of additional savings of £3m pa i.e. 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

#### **4.3.2 2009/10-2011/12- Medium Term Planning Context**

The Council is now rolling forward its planning timeframe to consider the period up to March 2012.

## **Economic Uncertainties**

The current planning takes place against a backdrop of significant uncertainties facing the Council from a combination of global financial instability, a deepening recession and rapidly changing inflation levels. These are already having significant impacts on the Council's services and budgets but many implications will only become clearer as the weeks pass and current volatilities hopefully subside. At present this makes projections for next year less certain than usual, while projecting the next 3 years is more problematic still.

The Council has navigated itself through the unprecedented volatility and instability in the global financial markets this financial year and looks likely to deliver a considerable outperformance of its budget for Treasury activities in 2008/09. However projected returns are already falling for next year though still difficult to project as markets are still a long way from 'normal' interest rate relationships and liquidity levels. It would be prudent to carry some of this year's bonus over into 2009/10 as additional contingency against the many uncertainties we face.

## **Service Impacts**

The recession, rising unemployment and difficulties in the Housing market are likely to bring rising demands on key services such as homelessness, housing benefits, social services, community support etc. on top of the longer term trends of changing demographics including an ageing population. Some of these pressures are already showing through in current year monitoring. There are likely to be impacts on income collection though this is currently holding up well for revenue flows-its in the area of asset disposal receipts that the effect is already evident and the capital programme is being reviewed to match with available resources.

There is already a widening gap between Housing growth targets and actual delivery as developers put planned schemes on hold both nationally and locally. The increasing pressure on Council resources is likely to be mirrored in the finances of local partners who are working with us on a range of jointly funded initiatives. It will be important for the local economy to keep major developments moving forward but adjusting timescales and proposals to match resources.

There are two significant switches of service responsibility from other public sector bodies in this planning period .

- The lead commissioning role for Social Care services provided to adults with learning disabilities continues to move away from the PCT to the Council with around £3-3.5m pa revenue funding ,plus possibly property ,transferring over the next 2 years and then forming part of the next 3 year grant settlement. This funding will be consolidated and form part of a pooled budget arrangement with the PCT,subject to formal approval by the Cabinet and PCT Board.
- In 2010 funding for school sixth forms, sixth form colleges and Further Education colleges within the 14-19 phase will transfer from the Learning Skills Council (LSC) to Local Authorities budgets. Transitional arrangements to support this transfer are being developed.

Both changes have been assumed as net neutral impact in terms of spend and funding transferred for planning purposes.

The Council will also need to bring into its forward planning ,the impact of the impending carbon reduction scheme which comes into effect from April 2010-final

operating guidance is still awaited .

## **Government Grant**

The last year of the current planning period -2011/12 is particularly difficult to forecast as on top of assessing the impacts on Council budgets in two years' time from the economic impacts above, uncertainties around government funding levels come to the fore again:

- 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 still 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

The government grant for 2009/10 and 2010/11 forms part of the 3 year settlement announced in December 2007 which the Government has so far adhered to giving the Council the planned increase of 5.35% in grant for 2009/10 with a provisional increase of 4.7% in 2010/11. These good grant settlements are already built in to funding the substantial 3 year Investment Programme agreed by the Council in March 2008. Projecting the next 3 year settlement which will start with the 2011/12 budget is however difficult as flagged above .There is an escalating burden on public sector finances of the various measures being announced by the Government to support different sectors of the economy and mitigate the impacts of both instability in the financial markets and the deepening recession .This is likely in turn to lead to a very harsh 3 year grant settlement for local government over the 2011/12-2013/14 period compared with the last decade .At present forward projections below assume a 2% cash increase in 2011/12 based on some unwinding of the £5m grant still held back by damping in 2010/11. However if this doesn't happen ,a cash standstill grant settlement is possible which would reduce funding available by a further £1.4m ,and possible cuts to the many specific grants would have further impacts on services supported by those grants

### **4.3.3 Updated Budget and Projections**

Given the unprecedented financial and economic situation still unfolding then ,as flagged back in December ,the Council has been reviewing its budget assumptions in the last few weeks to ensure that the budget for next year and medium term strategy up to March 2012 are based on the most up to date information available.

This has led to changes in a number of areas including :

- Treasury Management-investment income and borrowing projections have been updated to take account of changing interest rates and rescheduling opportunities. We have also taken the opportunity to review the options provided by changes to regulations around capital accounting arrangements announced for 2008/09 ,which are part of a general move towards private sector accounting standards . These have been discussed with our external auditors and the proposed changes form part of the Treasury report with these papers.

- Income projections-this covers both revenue and capital income streams .Adjustments have been made to both base budget and the savings package to take account of the pressure on revenue income .At the same time additional prudential borrowing coupled with the new capital accounting arrangements and debt rescheduling have given flexibility to accommodate delays on capital receipts and allow key schemes such as the Borough Towns Initiative to continue and give a boost to the local economy.
- Inflation-the base budget was being compiled while inflation trends were peaking in the Autumn so assumptions have now been revisited to take account of the recessionary impacts driving inflation down and budgetary provision has been reduced accordingly over the 3 year planning period.
- Credit Crunch Initiatives-a range of initiatives to help local people is being developed for the next 12 months to be funded from one off monies; further details are given in paragraph 5.2.10
- Leegomery scheme-approved by Cabinet in January but not in the original proposals in December

Taking account of all these changes actually nets down to a 3 year financial projection only marginally different from the December proposals before taking account of balances ,council tax increases and savings:

MEDIUM TERM FINANCIAL PLANNING SUMMARY

	2009/10	2010/11	2011/12
	£m	£m	£m
Shortfall b/f	1.23	6.08	10.33
Annual funding requirement including 3 year investment package -2008/09 to 2010/11	4.85	4.25	4.90
<b>Cumulative funding requirement</b>	<b>6.08</b>	<b>10.33</b>	<b>15.23</b>

The table reflects the 3 year investment programme approved as part of the 3 year strategy up to March 2011 during the 2008/09 process with some adjustments reflected in para 5.2.The 2011/12 position is therefore prior to decisions on an investment package covering that period and this will form one element of the 2010/11 process which will be starting imminently.

A summarisation of the 2009/10 budget is attached at Appendix 1 incorporating the 3 year Investment programme while Appendix 2 shows year on year movements from the 2008/09 budget. Portfolio budgets will be restated when the current restructuring exercise has been completed.

## 5.0 PROPOSED STRATEGY

### 5.1 OVERVIEW

Bringing together our assessment of community needs and the wider policy context, the latest financial position and the feedback that we have received from across the community, we have **reflected and taken stock of the existing service and financial planning strategy and are proposing a number of fundamental changes**. These changes are driven primarily by the worsening economic situation and uncertainties which the Borough and local people are facing and the key messages from our consultations. Full details of the proposed changes are set out in the sections below, however, in summary, they are:

- In our strategy last year, we set out our commitment to a Council Tax increase for

2009/10 which was below that for 2008/09 and below 3.5% by 2010/11. Given the high levels of support for minimising the level of Council Tax increase expressed in our consultations, the current low inflation rate, and setting these alongside the many financial challenges facing families and households across the Borough, it is **considered that the Council should look to limit the Council Tax increase to 2.5% a year over this planning period;**

- In order to fund a Council Tax increase strategy of just 2.5%, there is a need to secure further savings in addition to the current £3m efficiencies and cost reduction package for 2009/10. **To address this for 2009/10, the Council has brought forward its plans to streamline and restructure the organisation with a view to generating an additional ongoing savings package of £1m of which £0.8m will be realised in 2009/10.** Our Council Plan 2008/09 highlighted a comprehensive medium-term work programme which we were putting in place to identify future savings and reallocate resources. One of these workstreams related to a review of the organisation and this review has been accelerated, though all details are not yet finalised. From 1 April 2009, the Council will move to a new structure based on four Portfolios rather than five, with services being reallocated from the Community Services Portfolio across the Council. As part of this exercise, the Council will identify savings from the rationalisation of management structures and responsibilities and support arrangements for that Portfolio.

The Council's consultation to date on its draft Budget Strategy for 2009/10 and beyond has been very open in terms of identifying investment priorities and that we may need to take further action to close any funding 'gap'. The Council, in keeping with most other local authorities across the country, is facing a challenging and difficult Budget situation. The challenges do not end with the agreement of this Budget and a revised strategy. We will focus on our corporate work programme and its five savings workstreams to ensure that the organisation is 'fit-for-purpose' and realises on-going savings targets. Central to this will be a programme of large-scale strategic service/thematic reviews, a focus on improving business efficiency in service areas, an emphasis on invest-to-save initiatives, and a major review of the investment programme.

Our long-term Vision and Community Priorities clearly provide a framework through which to identify key issues, pressures and investment priorities. It is very evident that the Council, must continue to address three key focuses:

- Making and/or securing investment to create and sustain the long-term economic prosperity and success of the Borough and the realisation of Vision 2026;
- Ensuring that current levels of service provision and facilities are fit-for-purpose to meet the needs and expectations of our community and enable people to enjoy a good quality of life;
- Working to mitigate the effects of the economic downturn within the Borough and planning for the recovery by seeking to put in place the right policies and plans which will enable the Borough to be well-positioned to come out of the recession earlier and stronger.

In our revised strategy, we place greater emphasis on housing initiatives, enhancing concessionary travel, ensuring the rebuilding of Leegomery Centre and delivery of the Borough Towns Initiative, plus the development of a package of measures to support

the community during the current downturn/credit crunch.

## **5.2 OUR GUIDING PRINCIPLES**

5.2.1 Our proposed strategy is informed and shaped by a number of guiding principles which have been widely endorsed through our consultation programme. Our guiding principles are:

- Develop investment proposals that are based on and address the community's needs and priorities.
- Spread our resources fairly and openly across the Borough, whilst taking account of the needs of different areas.
- Seek to minimise the level of Council Tax increase, balanced against growing demands for Council services and protecting services from cuts.
- Deliver at least £3m efficiencies and savings a year, as far as possible minimising the impact on the quality of services.
- Maximise external investment, (e.g. Government grants) to create prosperity and success.
- Sell some of the Council's land and property to fund investment priorities (if it is practical and prudent to do so).
- Use limited amounts of the Council's balances to help minimise Council Tax increases and protect key services.
- Set aside some additional money to deal with any unforeseen circumstances caused by the current economic situation.

## **5.3 RESOURCE ALLOCATION/INVESTMENTS**

5.3.1 As set out above, we have developed our medium-term strategy based on a number of core guiding principles including – Investing in Priorities that address community needs and priorities and meet the differing needs and requirements of different sections of the community.

5.3.2 Underpinning our strategy is a continuing commitment that the Council will operate in an even-handed way and allocate resources fairly across the Borough. We clearly cannot, however, invest in everything. We have therefore had to take decisions about where extra resources need to be put and what, inevitably, will be lesser priorities where we will have to continue either with similar levels of resources as at present or where savings will have to be made.

In this context, our corporate strategy can be summarised as follows:

### ➤ Our over-arching Aims

5.3.3 Our long-term Vision and Community Priorities clearly provide a framework through which to identify key issues, pressures and investment priorities. It is very evident that the Council, in our dual roles of community leaders and major public service deliverer, must address three key focuses:

- Making and/or securing investment to create and sustain the long-term economic prosperity and success of the Borough and the realisation of Vision 2026;
- Ensuring that current levels of service provision and facilities are fit-for-

purpose to meet the needs and expectations of our community and enable people to enjoy a good quality of life;

- Working to mitigate the effects of the economic downturn within the Borough and planning for the recovery by seeking to put in place the right policies and plans which will enable the Borough to be well-positioned to come out of the recession earlier and stronger.

5.3.4 In the context of these key focuses, our proposed strategy has two dimensions:

- A. An overall 3 year investment package driven by a set of clear priority policy objectives;
- B. A package of short-term actions which are focused on addressing/ mitigating the effects of the current economic/ housing down-turn.

**A. Our Priority Policy Objectives & Investment Package**

5.3.5 Within the context of our overall community and Corporate Priorities, we identified last year a set of clear and tangible priority policy objectives where we feel the Council can and must make a real and positive difference and focus resources – and can only achieve this through extra funding – to improve quality of life and service delivery. Taking account of the current situation in the Borough regarding Housing issues, we are adding an extra priority policy objective which is about ‘Securing affordable, accessible and sustainable Housing’.

5.3.6 As such, our revised framework of priority policy objectives is:

- 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 our rural areas;
- Enhancing customer service and improving organisational efficiency;
- Securing affordable, accessible and sustainable housing.

5.3.7 Key aspects of our proposed actions and investments in relation to our priorities are set out in the table below. As can be seen above, one issue where community feedback has indicated that the Council should consider further action relates to the extension of the current Concessionary Travel Scheme. Our proposals for this are set out in section B below. In terms of our overall mainstream medium-term strategy and investment proposals, these include:

## **INVESTMENT PROPOSALS**

Priority Policy Objective	Investment Proposals	Link to LSP Community Priorities
Protecting and maintaining services for older people and vulnerable adults and children	<p>Additional £1.2m ongoing revenue funding for Adult Social Care Services on top of £1.1m ongoing in the current year</p> <p>Reinvesting £0.25m resources ongoing realised through the re-provision of children's homes services to enhance capacity and further improve performance.</p>	<p>Giving Children and Young People the Best Possible Start in their Lives</p> <p>Promoting Healthy Communities and Improving the Quality of Life of Vulnerable and Older People</p>
Regenerating and improving our Borough towns and most deprived communities	<p>£0.75m over 3 years to fund projects and schemes to support the delivery of our Borough Towns Initiative</p> <p>£4m to support the regeneration of former New Town estates</p> <p>£1.5m over 3 years to improve parks and play areas across the Borough</p> <p>Over £15m of investment in Wellington, Newport, Dawley/Malinslee and Ironbridge</p> <p>£1.7m for shops and other facilities at Leegomery Centre</p>	<p>Transforming Telford &amp; Wrekin</p> <p>Strengthening the Local Economy and the Skills of Local People</p> <p>Creating a Safe, Strong and Cohesive Community</p> <p>Maintaining a High Quality, Attractive and Sustainable Environment</p>
Promoting growth and prosperity	<p>£0.15m ongoing funding from the current year to support economic development plus £50k annual support for the new Enterprise HQ in Coalport</p> <p>£2m to pump prime the work on the Council's Town Centre redevelopment project</p>	<p>Transforming Telford &amp; Wrekin</p> <p>Strengthening the Local Economy and the Skills of Local People</p> <p>Maintaining a High Quality, Attractive and Sustainable Environment</p>
Securing affordable, accessible and sustainable housing	<p>£11m over 3 years to support private sector housing ,disabled facility grants to help people stay in their own homes and support for lower cost housing .</p> <p>£2m for Extra Care Housing</p>	<p>Transforming Telford &amp; Wrekin</p> <p>Maintaining a High Quality, Attractive and Sustainable Environment</p>
Delivering high quality education services and facilities	<p>£11m spend on the emerging strategy for Children's Centres, Childcare Sufficiency, Early Years Outcomes, Young Carers, Mental Health Services, The Active Involvement Service, Connexions for Youth, School Improvement, Special Educational Need (SEN) and Extended Services in Learning Communities – part of our ongoing commitment to investing in</p>	<p>Transforming Telford &amp; Wrekin</p> <p>Giving Children and Young People the Best Possible Start in their Lives</p> <p>Strengthening the Local Economy and the Skills of</p>

	<p>our largest service to the local area and the key to future prosperity.</p> <p>Cabinet, on 24 November 2008, approved the submission to DCSF of our Outline Business Case for our major 'Campus Telford &amp; Wrekin' project which will deliver over £200m of new or remodelled schools ,health and community facilities in learning communities across the Borough .</p>	Local People
Tackling crime , anti-social behaviour and alcohol misuse	<p>£1.5m over 3 years for replacement and/or provision of new street lights.</p> <p>We are also using the significant resourcing package put together by the Council and Primary Care Trust this year of some £1m to deliver our strategy to address issues of alcohol misuse.</p>	<p>Creating a Safe, Strong and Cohesive Community</p> <p>Promoting Healthy Communities and Improving the Quality of Life of Vulnerable and Older People</p>
Maintaining, protecting and improving the local environment and our rural areas	<p>£3.8m a year for roads and footways maintenance to address key public concerns over the state of repair of this part the of the local transport infrastructure</p>	<p>Transforming Telford &amp; Wrekin</p> <p>Maintaining a High Quality, Attractive and Sustainable Environment</p> <p>Creating a Safe, Strong and Cohesive Community</p>
Enhancing customer services and improving organisational efficiency	<p>£1.5m a year for new ICT systems to improve the quality and efficiency of services provided to the public</p> <p>£1.5m a year for repair and maintenance and improvement to our buildings</p> <p>£0.5m over 2 years for a service redesign team to support the delivery of our savings programme</p>	<p>Our Corporate Priority is to be "an efficient, effective and customer-focused Council which delivers value-for-money for the community"</p>

The 3 year Investment Programme of both Revenue and Capital proposals is attached at Appendix 3 .That programme summarises initiatives funded by the Council's own resources and thus impacting on net resources required while the summary above shows the combined impact of external and Council funding on new investments .Appendix 3 also amplifies the investment programme for the Borough Towns Initiative.

The full capital programme incorporating the capital elements of the Investment programme is included with the separate capital programme report on this agenda.

## B. Credit Crunch :Addressing/ Mitigating the Effects of the Economic and Housing Down-turn

- 5.3.8 As noted above, our current strategy will do much to achieve sustainable economic and housing growth in the medium-term. The revitalisation of the centres of our Borough towns, developing Telford Town Centre into a more cohesive and attractive heart for the community and investing in new/improvements to existing industrial and commercial sites (through regional monies directed through Transforming Telford ) are projects which are fundamental to future success.
- 5.3.9 At this time, the whole of the public sector has a crucial role to play in showing confidence, leadership and investment in the future of the area. Only this way can we hope to protect, bolster and strengthen the local economy and place Telford & Wrekin in the best position possible to grow and prosper in the years ahead.
- 5.3.10 - We, in conjunction with other partner organisations, are working to put in place a robust and effective short-term action plan to support the community very directly in these difficult times. .
- A particular issue where community feedback has indicated that the Council should consider further action relates to the extension of the current **Concessionary Travel Scheme**.
  - The current scheme offers free bus transport to pass-holders travelling after 9.30am. The scheme is available to all local residents aged over 60 and certain other 'vulnerable' groups. Issues relating to the extension of the scheme include uncertainty over demand (and the costs associated with additional take-up), capacity on certain bus routes to absorb additional numbers (and the potential costs associated with having to provide additional buses) and the importance of ensuring that services for people who need to get to work are not compromised. Taking all these things into account, the Cabinet is mindful of the need to act cautiously but to also look to move towards addressing the needs of local people – the view was expressed at the Senior Citizens Forum that an earlier start of 9am would be of particular benefit to those people who need to attend early hospital/other medical appointments and would be unlikely to have a significant or detrimental impact on current service levels/costs. As such, **we are proposing an extension of the current scheme for it to commence from 9am and that this will operate through 2009/10 on a trial basis**. This will give the Council an opportunity to assess feasibility/demand/costings, in conjunction with Arriva Travel, in terms of maintaining this extension of the scheme on an on-going basis or even extending it further. Findings from this trial year will then be considered as part of next year's service and financial planning strategy process.
- 5.3.11 Key aspects of our proposed action plan to provide greater support to the community at this difficult time are listed below and around £0.7m is being earmarked from current year underspends and existing one offs to fund this package for 12 months initially:

## CREDIT CRUNCH/RECESSION INITIATIVES

Policy Focus	Proposed Actions
<ul style="list-style-type: none"> <li>• Provide support for local people</li> </ul>	<ul style="list-style-type: none"> <li>- Implement extension of Concessionary Travel scheme on a 'trial basis' for 2009/10 to commence at 9am and, during the year, assess feasibility/demand/costings in terms of maintaining this extension of the scheme on an on-going basis or even extending it further.</li> <li>- Establish information/ Advice Centre in Telford Town Centre</li> <li>- Explore additional schemes to support access to/payments of costs relating to child care to enable employment</li> <li>- Local implementation of national Mortgage Rescue Scheme</li> <li>- Explore the need for additional grant finding for key voluntary organisations to increase the range of services to the community regarding debt and finance and to support vulnerable families at risk from unscrupulous money lenders</li> <li>- Expansion of existing Health through warmth/ Affordable Warmth programmes</li> <li>- Provide additional support for homeless people through KIP (over-25's provision) and STAY (under-25's provision)</li> </ul>
<ul style="list-style-type: none"> <li>• Support local businesses directly</li> </ul>	<ul style="list-style-type: none"> <li>- Provision of business enterprise and business support information through Advice Shop</li> <li>- Provision of sessional business surgeries</li> <li>- Delivering a programme of sector-focused business advice sessions</li> <li>- Review of council procurement to encourage local contracting and employment as part of a broader 'act local' approach</li> <li>Enterprise HQ (with financial support from the Council) opens in February 2009 and will increase the range of support available for home-based entrepreneurs</li> <li>- <ul style="list-style-type: none"> <li>o Establish 'Act Local' approach <ul style="list-style-type: none"> <li>- Business to business (B2B) supply chain support</li> <li>- B2B waste matching</li> <li>- Support/develop Chamber of Commerce web based business to business directory</li> <li>- Public Sector 'Act Local' approach – target procurement at local firms (subject to legal and VFM considerations)</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Support and stimulate the local housing market</li> </ul>	<ul style="list-style-type: none"> <li>- Explore options with HCA and AWM for stimulating the local housing market to reduce homelessness</li> <li>- Explore options to develop an 'Empty Property Task Force/campaign' to identify, target and bring back into use appropriate empty properties across the Borough.</li> </ul>
<ul style="list-style-type: none"> <li>• Encourage inward investment in the Borough</li> </ul>	<ul style="list-style-type: none"> <li>- Campaign to promote Telford as an investment location based on availability of development land, environmental quality, accessibility, strong business networks</li> <li>- Maintain targeted Inward Investment service</li> <li>- Development of a revised economic strategy and joint investment/delivery plan to ensure delivery of existing key projects and bringing forward new employment site projects</li> </ul>

## 5.4 **SAVINGS**

5.4.1 A key element of our overall strategy framework is – **to deliver at least £3m efficiencies and savings a year ,as far as possible minimising the impact on the quality of services.** The strategy approved in March 2008 agreed a savings programme of at least £3m pa additional savings through to 2010/11. Further savings beyond that year will inevitably be required and targets are likely to rise as the prospects for public sector funding and budgets deteriorate at both national and local levels .It is now proposed for planning purposes that a target of at least £6.4m is set for 2010/11 to 2011/12 on top of the £3.8m programme for 2009/10 to support the council tax strategy.

The October and December budget reports to Cabinet outlined a medium term savings programme encompassing 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 (£1m pump priming pot set aside)
- Review the Council's organisational structures

The proposed £3.8m savings programme for 2009/10 is attached as Appendix 4 .As each year of additional savings at this level comes forward it will become increasingly difficult to avoid some service impacts .Additional savings of £0.35m for the ring fenced Education budget also form part of the overall package.

### 5.4.2 **Attracting External Funding & Investment**

We are reviewing how we can more effectively co-ordinate external funding both from within the Council and with our partners. We are also looking at how we can influence more investment into Telford & Wrekin through the region and nationally.

### 5.4.3 **Asset Rationalisation & Disposal Programme**

Good asset management plays a role in delivering high quality public services; delivering efficiencies; and in creating a sense of place. Asset & Property Management (A&PM), working with service areas will be challenging whether all Council Operational assets are required and also determine if they are fit for purpose to support the service that is being delivered. A&PM have assessed whether the operational assets provide value for money to meet current needs by monitoring property performance. Following completion of a property review, an accommodation strategy will be developed providing direction and a context for future investment and disposal. Once the Council's strategy for asset rationalisation is clear a wider review with partner agencies will be implemented to ensure that properties throughout the whole public sector are used to their maximum. This approach will maximise the use of all public owned buildings resulting in further efficiency savings and supporting high quality service provision to the community across the public sector. There are a number of initiatives that support the Council's medium term investment package which are linked to asset rationalisation, they relate partly to the Borough Towns Initiative and the Telford Town Centre project.

## 5.5 **BALANCES**

### 5.5.1 Our overall strategy framework proposes .... **Using limited amounts of the Council's balances to help minimise Council Tax increases and protect key services** as well as **setting aside additional money to deal with any unforeseen circumstances caused by the current economic situation.**

The 3 year strategy approved in March proposed keeping use of balances for the general funding of **ongoing** revenue costs to below £1m pa, while still utilising additional reserves to meet one off needs.

Appendix 5 summarises the overall balances position of the Council after taking account of the various earmarked reserves and risks faced by the Council. This shows around £6.1m available as part of medium term budget strategy considerations, including £1m already approved for use as an invest to save fund to help the future savings programme being developed .The proposed strategy for 2009/10 uses £0.95m of the uncommitted balances to fund the ongoing revenue budget and earmarks up to £0.5m for a package of one off credit crunch initiatives being developed (on top of £0.2m being funded from current year budgets).

### 5.5.2 The considerable uncertainties faced next year will also need to be allowed for in any strategy so the revenue contingency which currently stands at around £0.6m for next year, after taking account of existing commitments, should be supplemented on a one off basis until the fallout from the international financial instability, plus the impact of the recession and residual inflation are clearer. It is proposed to set up a supplementary one off contingency fund of £1m which will be funded from the additional Treasury surplus being generated in the current year and thus is not a call on the £6.1m flagged above.

## 5.6 **COUNCIL TAX**

Our strategy seeks to **minimise the level of Council Tax increase ,balanced against growing demands for Council services and protecting services from cuts.**

The Council currently has the lowest council tax for unitary service responsibilities in the Midlands and is some £120 below average band D bills in the rest of Shropshire. Every 1% increase in council tax raises around £0.53m funding for services and adds around 16p per week to average bills in the area (20p at band D). All households receiving council tax benefit are fully protected from any increase - this includes over half the elderly households in our area.

The proposed approach for a Council tax strategy over the next 3 years has to balance protecting key services ,investment in key priorities and ensuring continued value for money from Council services- which includes sustaining the lowest Council Tax level for unitary services in Shropshire and remaining one of the lowest in the Midlands.

The proposed strategy to support local people through a difficult financial period is for annual council tax increases of 2.5% (40p per week on average bills) over the 3 year planning period-the final year being subject to the level of government grant from the new 3 year settlement due in 2011/12 .

## 5.7 **EDUCATION**

5.7.1 The Department for Children, Schools and Families (DCSF) announced a Dedicated Schools Grant (DSG) three year budget settlement for schools and further rationalisation of standards related grants in December 2007. Approximately 90% of DSG funding is delegated to schools with the remainder being retained for central expenditure on pupils relating, in the main, to Special Educational Needs (SEN) including behaviour and Early Years.

The table below sets out the average DSG per pupil increases nationally and for Telford and Wrekin for 2008-11:

	2008/09 baseline per pupil £	Per Pupil Increase %	2009/10 baseline per pupil £	Per Pupil Increase %	2010/11 baseline per pupil £	Per Pupil Increase %
T & W	3,910.83	4.3%	4051.55	3.6%	4219.45	4.1%
National	4065.90	4.6%	4217.71	3.7%	4398.02	4.3%

5.7.2 Per pupil allocations for Telford and Wrekin are 4% lower than the national average per pupil (£166.16 less per pupil in 2009/10).

To reflect cost pressures the DCSF has indicated that all schools will receive a minimum per pupil increase of 2.1% over the period 2008-11.

Included within the per pupil sums shown in the table above is additional funding to meet the Governments priority of improving teaching and learning through an extended personalised curriculum for all pupils, however local authorities, in consultation with their School Forums, decide on the distribution of the whole of grant locally (subject to meeting the minimum funding requirement).

5.7.3 The final DSG settlement for each year depends on actual pupil numbers as at January of the prior financial year and are finally determined by June. However, authorities can plan ahead in the knowledge that they will receive a fixed sum for each pupil. In 2008-09 authorities were required to provide indicative budgets to schools for the following two years. Whilst appearing a reasonable settlement actual pupil numbers in January 2008 resulted in a reduction of the final settlement figure by around £400k. This had a significant impact on funding for a number of our schools with falling rolls. The fall in pupil numbers also reduced the amount of funding available to meet the costs of 'Central' expenditure items. Estimates of pupil numbers for the 2009-10 indicative budget indicated a further fall in pupil numbers, our latest estimates whilst slightly better still indicate a loss of at least £250k on the DCSF's estimated DSG allocation for 2009-10. This may result in some schools with falling roll facing financial difficulties in managing their position.

### 5.7.4 **Education Budget Overview**

The 2008-09 Education budget strategy was delivered by the rationalisation of grant usage and the development of a £800k savings programme in order to address a shortfall of £1m in funding. The latest view of the 2009/10 Education funding position is as follows :

## Education Budget Overview 2009/10

	<b>09/10 £m</b>
Total Funding Available	(124.8)
Delegated to Schools	92.6
C&YP Base Budget	21.2
Grant Use	11.0
Pressures Base Budget	1.0
Committed Developments	0.12
<b>Savings Package Required</b>	<b>1.12</b>

### **Other Funding Sources**

In addition to the Dedicated Schools Grant, the portfolio also receives funding for Education from the following sources:

- Revenue Support Grant/Council Tax (£13.1 2009/10)
- Specific ring fenced grants (£9.8m 2009/10)
- Area Based Grants (£5.9m 2009/10)

Education Budget Projections for 2009/10 highlight over £1m of **Pressures and developments** including

- Personalisation of teaching and learning
- Out of Borough education placements
- Impact of more complex needs of pupils on a range of service areas
- Impact of falling pupil numbers on central budgets (loss of funding)
- Impact of Single Status costs within schools
- Impact of cessation of one off funding
- Reduction in real terms of other grants
- Full roll-out of Children's Centre developments
- Development of Campus Telford and Wrekin
- Strategic developments around 14-19 agenda

### **5.7.5 Education Budget Strategy**

The strategy to address the £1.12m shortfall includes substantial redirection of grants-

- Area Based Grant – Extended Services & Positive Activities £358k

This saving will be achieved by attributing current base budget spend on these services to increases in the Area Based Grant. Existing resources will then be used to meet new national and local strategic priorities including enhancing the provision of sustainable and inclusive extended services and removing barriers that may prevent schools from developing these services.

- General Sure Start Grant £416k

This saving will be achieved by attributing current base budget spend on these

services to increases in the General SureStart Grant. Existing resources will then be used to meet new national and local strategic priorities including the development of the children’s centre offer; albeit at a considerably reduced level

In both cases funding is being diverted away from universal preventative services in order to meet the increased cost of vulnerable, complex and acute services. Work is ongoing through the SEN Review to address system and process issues which will lead to a redistribution of funding towards “early intervention” services for universal and vulnerable children and young people.

In addition to the redirection of grants a number of savings have been identified which are shown in Appendix 4 as part of the overall savings package.

In summary the Education Strategy is set out below:

	2009/10 £m
Shortfall	1.12
Savings Package –see appendix 4	0.35
Grant Increase not allocated	0.77
Total	1.12

## **5.8 OVERALL STRATEGY**

**5.8.1** The Council faces a period of unprecedented economic uncertainty which is already having a considerable impact on local people and businesses and on national and local public sector services and funding .Members have considered the responses to their consultation process as well as updating budget assumptions with the latest information available in this period of rapid deterioration in the economy and looking at what initiatives the Council can lead to help local people and businesses .The resulting strategy proposals are

- Confirmation of the second year of the 3 year Investment Programme which invests a further £16m in infrastructure projects and £1.7m in services including Adult and Children’s social services and Credit Crunch initiatives
- A general savings package of £3.8m for 2009/10 plus a further £0.35m in Education services ,and a target of at least £6.4m for the 2010/11 -2011/12 period
- Use of £0.95m balances to support the ongoing net budget in 2009/10
- An additional £1m contingency for 2009/10 funded from the surplus generated by Treasury Management operations in 2008/09
- A council tax increase strategy of 2.5% pa for the 3 year planning period subject in the final year to the level of government grant from the new 3 year grant settlement in 2011/12 .

**5.8.2** The summary below reflects the council tax increase proposals,3 year savings targets and an investment programme which at present only runs to 2010/11but will be reviewed as part of the 2010/11process starting very soon .

	2009/10	2010/11	2011/12
	£m	£m	£m
Shortfall b/f	1.23	6.08	10.33
Annual funding requirement including 3 year investment package -2008/09 to 2010/11	4.85	4.25	4.90
<b>Cumulative funding requirement prior to tax rise and savings decisions</b>	<b>6.08</b>	<b>10.33</b>	<b>15.23</b>
<b>Funded by:</b>			
Savings	(3.80)	(7.00)	(10.20)
Council tax increase of 2.5%pa	(1.33)	(2.69)	(4.08)
Use of Balances	(0.95)	(0.64)	(0.95)
<b>Funding Package</b>	<b>(6.08)</b>	<b>(10.33)</b>	<b>(15.23)</b>

### 5.8.3 **Robustness of the Financial Strategy and Levels of Reserves & Balances**

The Council's Chief Financial Officer (CFO) is required to comment on the adequacy of the Council's levels of reserves and balances and robustness of the overall budget strategy. Given the medium term position outlined in this report, the CFO considers the current level of reserves and balances and proposed strategy above to be appropriate and prudent. Appendix 5 amplifies this statement.

## 6.0 **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 community and corporate priorities and the corporate risk register.

### **Financial & Legal Comments**

This report forms part of the policy planning and budgetary framework that will result in the Council being required to set a robust balanced 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 another Government grant related paper Council Plan.

**Report prepared by Paul Clifford, Head of Finance and Richard Partington, Head of Policy, Performance & Partnership**