

TELFORD & WREKIN COUNCIL

CABINET - 8TH DECEMBER 2009

SERVICE & FINANCIAL PLANNING: 2010/11– 2012/13

REPORT OF THE CHIEF EXECUTIVE & CORPORATE DIRECTOR: RESOURCES

1.0 PURPOSE

To outline a Service & Financial Planning strategy for the period 2010/11-2012/13 including specific budget proposals for 2010/11.

2.0 RECOMMENDATION

Members are asked to approve the report's service and financial planning strategy proposals for consultation with the community.

3.0 SUMMARY

The report outlines the Service & Financial planning context in which decisions on the 2010/11 budget and medium term strategy will need to be taken. It highlights the wide variety of challenges facing the area, particularly the impacts of:

- The expected squeeze on public sector funding caused by the Government's escalating borrowing requirement and consequent uncertainties about the Council's financial position beyond the current three year grant settlement which covers the period until April 2011.
- The continuing recession which is impacting on the Council's income levels and has increased demand for a range of Council services.
- The need to move forward on a large number of major capital investment projects including the Borough Towns Initiative Sports and Learning Communities, the regeneration of former New Town Estates and the development of Telford Town Centre.
- The need to make new ongoing revenue investments to meet increasing demand for social services support for both Children & Families and Adults.

The Council is proposing a prudent strategy to ensure that we are as well placed as possible to meet the many uncertainties over coming years while continuing to cut the level of council tax increase and keeping major projects moving forward. The proposed significant capital investments by the Council will support the local economy both now and help to ensure the future prosperity of the area.

The Service & Financial medium term strategy proposed is to:

- Continue the existing strategy of year on year reductions in the level of council tax increase, with an increase of 1.9% in 2010/11 (equivalent to 31 pence per week for the average property), and ensuring that the Council continues to have one of the lowest levels of council tax in the Midlands.

- Maintain the existing strategy of using less than £1m pa balances as part of the funding for the ongoing net revenue budget.
- Build upon the existing 3 year capital investment programme.
- Approve new 2010/11 revenue investment in to services for Children & Families of £1.9m and in to Adult Social Services of £1.675m.
- Realise a main savings package of £4.59m and an additional £0.2m for Education services in 2010/11.
- Endorse the existing provision of £1m set aside from reserves for invest to save initiatives.
- Provide an increase in the contingency of £0.5m to cover social services pressures.

The Council will now embark on a consultation process, seeking views from all sections of the community on the specific proposals for 2010/11. We will also be seeking to actively engage with the community and to listen to views on what the Council's priorities should be for coming years. Final budget and council tax decisions will be taken on 23rd February 2010 by Cabinet and ultimately on 4th March 2010 by full Council.

4.0 STRATEGIC & POLICY CONTEXT

4.1 Current Strategy

In March 2009, the Council approved a 3-year Service & Financial Strategy which set out the guiding principles which would underpin our approach to managing our Budget, the priority policy objectives which would inform our funding decisions, and an outline investment and savings programme. This Strategy was informed by consultation with a wide range of local people and organisations.

4.2 In putting in place this strategy, we were very clear that the Council was facing a difficult 3 years with many competing demands on our resources both to sustain current levels of service and to invest in new initiatives and projects for the future benefit of our community. We are also very aware of the many difficulties and pressures it has placed on the people, businesses and organisations in the Borough. 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 refresh process.

4.3 Over the past few months, we have been reviewing, updating and refreshing our current strategy and policy framework. This has involved:

- Refocusing our priorities;
- Reviewing our current investment package in the light of our priorities and new or emerging pressures, challenges and service needs (see Section 4.4);
- Reviewing existing service budgets to identify opportunities to make significant efficiency and other cost savings to ensure that we will be able to invest in our priorities and minimise Council Tax increases as far as possible;
- Continuing work on a longer-term and more fundamental programme of reviews across the organisation to identify further savings and efficiencies.

4.4 Current Issues and Challenges

It is clear that there are two main issues, in budgetary terms, which need to be at the forefront of our policy agenda – care services for adults and children and the economic and housing downturn:

- Care Services

We identified ‘protecting and maintaining services for older people and vulnerable adults and children’ as a key priority policy objective in our 2009/10 Budget. 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. These are also vital services where we, particularly in relation to safeguarding our most vulnerable children and adults, must be constantly vigilant. Following the tragic death of ‘Baby Peter’ and other recent cases, we have seen a significant increase in caseloads (and resulting financial pressures), particularly in Children’s Social Services.

- Economic/Housing Downturn

The current economic and housing downturn continues to be an issue of fundamental importance. The impacts of the downturn are wide across the community and our services and seem likely to manifest themselves for at least the remainder of our medium-term planning period. We examine the impacts on the Council itself in the ‘Financial Context’ section of this report. In terms of impacts in the community to date, issues include:

- Stagnant housing market as evidenced by a significant reduction in Local Land Searches enquiries due to a large extent on the restricted availability of mortgages;
- Limited new house building, delayed completion of existing building schemes, and little progression of new private and public development schemes;
- Over the last year (Sept 08-Sept 09) the borough’s unemployment rate (as measured by Job Seekers’ Allowance claimants) has risen from 2.6% to 4.8%, an increase of 2,198 people. Telford & Wrekin’s unemployment rate remains below that of the West Midlands (5.6%), but above the England rate (4.2%);
- Some increase in acquisitive crimes;
- Inward investment enquiries have reduced;
- Some increase in the number of Council tax and Housing Benefit applicants;
- Reductions by employers in investment in skills training.

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 within the Council, progressing the development of the Town Centre and regeneration across the Borough 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.

An issue which the Council has placed on our list of priorities is in relation to Housing. We are working closely with the Housing and Communities Agency, Registered Social Landlords and Advantage West Midlands to develop and seek resources for a package of both short and longer-term measures 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.

At this time, the public sector still has a crucial role to play in showing confidence, leadership and investment in the future of the area. Only in 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.

4.5 Vision and Priorities Framework going forward

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 the community’s needs and expectations and local, national and regional policy drivers alongside the resources that are available to us.

In looking to take stock of these issues/opportunities and consider and refresh our strategy, the Council’s starting point is the Local Strategic Partnership’s **Vision and Community Priorities** that have been developed in consultation with the community. Our overall Vision for the Telford & Wrekin community is of:

“A successful, prosperous and healthy community which offers a good quality of life for all the people of Telford & Wrekin”

Within this context, we have refocused our priorities based on where we believe that as a Council we need to make a positive difference and concentrate our resources. Our priorities moving forward are all about **delivering the transformation and improvement of the Borough**. Specific priority policy areas are proposed to be:

- **Housing, Regeneration and Prosperity**
- **Children and Young People**
- **Active Lifestyles –Leisure & Culture**
- **Supporting People**
- **Environment & Rural Area**
- **Community Protection and Cohesion**
- **An Efficient, Community-focused Council.**

5.0 **FINANCIAL CONTEXT**

The Council has a gross annual revenue budget (including schools) of around £386m and a capital programme of just under £66m in the current year i.e. an organisation with a total turnover approaching £0.5bn a year. The net revenue budget for the current year stands at £124m after adjusting for specific government grants, charges for services, rents and investment income and this is funded as follows:

	£m
Gross Revenue Budget	386
Less : Specific grants and other income	166
Net Budget including Education	220
Less :Dedicated Schools’ Grant	-96
Net Budget	124
Funded by-	
Revenue Support Grant/Business Rates	68
Council Tax and balances	56
	124

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 around 25% of the net budget and under 15% of gross revenue spending.

Council Tax levels for the Council's own services are currently around £826 for average properties (band B) and £1,065 including parish, police and fire spending. Band D equivalents are £1,078 and £1,391 respectively. Tax levels for the same services in the rest of Shropshire have risen significantly faster over the last 10 years than in Telford & Wrekin and now stand some £87 more at band D (for unitary services).

5.1 2009/10 Budget Strategy

The current year's budget was based on funding from the second 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 even in 2010/11 will still be losing over £5m of its grant entitlement through the grant damping mechanism, a total loss of around £18m funding over the 3 years.

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

- A significant revenue and capital investment package,
- A strategy of additional savings with a detailed package totalling £3.8m pa with a further £0.35m in Education services for 2009/10 with an outline target of at least £6.4m additional savings over the 2010/11 and 2011/12 period
- Use of £0.95m balances in 2009/10 with calls on balances kept below £1m in each of the following two years
- A 2009/10 Council Tax increase of 2.5% (a rise of just under 40 pence per week on the average bill for this Council's services) with a commitment to hold future increases at or below this level for the three year planning period, subject to the impact of the next three year grant settlement.

5.2 Medium Term Planning Context

The outlook for public spending is very challenging. The Comprehensive Spending Review 2007 set public spending plans for the period 2008/09 to 2010/11. The next spending review will not now take place until after the General Election which could be as late as May/June 2010. However, regardless of the post Election political balance, UK public finances face a challenging time with stringent measures needed to stabilize the economy.

Although the April 2009 national Budget announced an increase in public sector spending by 0.7% in real terms from 2011/12 to 2012/13, the impact of the recession has led to higher benefit payments and increased debt interest which means that in reality most public services will face budget reductions.

The UK Budget deficit as a share of GDP in 2009/10 is the largest since the Second World War and despite talk about the green shoots of recovery the recession is likely

to be with us for some time. This view is supported by the Bank of England injecting more money directly into the economy through its quantitative easing programme and the recent Monetary Policy Committee comment that the recession is deeper than first thought.

The impact of the recession is placing greater demands on public services which place further pressure on Local Authority Budgets:

- rising unemployment increases demand for benefits and welfare services, homelessness services, social care and school places
- the historically low base rate of 0.5% impacts on investment returns; there are also fewer investment opportunities for Local Authorities as credit ratings have reduced for many organisations, following the collapse of the Icelandic banks
- property values have fallen considerably, giving lower than anticipated capital receipts to finance future capital programmes;
- the downturn in the housing market, with fewer houses being built, affects planning fees income
- Other Council income sources are also being affected (Section 106, Property Investment Portfolio rental, Land Charges and Leisure Services)

The Council also faces many other challenges including pressure on Childrens and Families budgets, the impact of an ageing population and uncertainties around the Single Status process and its impact on the pay bill.

Although 2010/11 is the final year of the existing three year grant settlement, at this stage the settlement remains provisional with final figures announced each year on the normal timescales. The provisional grant settlement for 2010/11 was announced on 26th November 2009 and was in line with earlier indications. The Chancellor's Pre Budget report is expected on 9th December 2009. Following this, implications of the pre-budget report on the Council will need to be assessed and built in to the medium term financial strategy.

However, despite these uncertainties, the Council must now review its current 3 year strategy and roll it forward to consider the period of the next 3 year grant settlement from 2011/12 to 2013/14. It is very difficult, at this stage, to make estimates over the level of resources that may be available to the Council from 2011/12 onwards. By way of illustration, a 1% reduction in RSG alone costs the Council over £0.7m. If RSG and other grants were cut by say 5% the Council would face a reduction in available resources of over £5m. Additionally as other public sector partners are also likely to face very challenging settlements it may be more difficult to attract funding from partners for joint projects. The Council will therefore have to be clear what its priorities are and take action at an early stage to be able to accommodate potentially significant reductions in revenue and capital resources which will not be clear for 2011/12 and 2012/13 until December 2010.

All this is against a background of relatively low existing council tax levels locally (the Council has the lowest level of council tax (at Band D) for unitary services in the Midlands) which brings challenges in balancing the priorities for supporting pressurised existing services such as Children's and Adults social services, alongside the additional funding requirements of the many new initiatives to boost the area including:-

- Borough Towns Initiative - Sport and Learning Communities
- Borough Towns Initiative – Local Centres
- Town Centre redevelopment
- Regenerating new town estates

During the period covered by this financial strategy the Council will undertake further significant capital investments which will impact on the overall revenue budget deficit. These include major investment in the Southwater area of Telford Town Centre, the Town Park and the development of replacement Civic Offices. Options are currently under consideration. These developments will be included in the investment package as the options are worked-up further and following separate reports to Cabinet.

The investment programme is now dependent on over £50m of capital receipts yet to be realised, before we include these schemes. This is a considerable exposure and represents a key risk, particularly in the current economic climate. This dependency will therefore be subject to close monitoring. Mitigation factors could include a combination of re-phasing some schemes or additional borrowing on a temporary or long term basis.

6.0 **SERVICE & FINANCIAL PLANNING STRATEGY**

6.1 **Guiding Principles**

Our current Strategy is based on a number of guiding principles, which have been endorsed by consultation with the community. These are:

- Spread 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;
- Maximise external investments e.g. Government grants, to create prosperity and success;
- Deliver savings and efficiency targets, as far as possible minimising the impact on the quality of services;
- Develop investment proposals that are based on and address the community's needs and priorities;
- Use limited amounts of the Council's balances to help minimise Council Tax increases and protect key services;
- Set aside some money to deal with any unforeseen circumstances caused by the current economic situation;
- Sell some of the Council's land and property to fund investment priorities if it is prudent to do so.

These guiding principles will remain broadly in place.

6.2 **Investments**

As mentioned above, we have developed our medium-term strategy based on a number of core guiding principles including – **Developing investment proposals that are based on and address the community's needs and priorities.**

As described in Section 4.5, we have identified some clear priorities where we feel the Council must focus its resources to improve quality of life and service delivery. Key investment proposals and how they link to our six service priorities are set out in the table below:

Priority	Investment Proposals (2010/11-2012/13)
Housing, Regeneration & Prosperity	<ul style="list-style-type: none"> - £20m to fund key projects to deliver our Borough Towns Initiative (BTI) as part of the longer-term BTI programme. - Significant investment in the development of the Southwater area of Telford Town Centre - £11.015m to support the regeneration of former New Town Estates (Woodside, Brookside and Sutton Hill) - £13.747m for projects to enhance and support the provision of new transport and highway infrastructure in the Borough - £6.56m for housing supply and affordable housing - £1m for extra care housing - £76k revenue funding for initiatives to support people affected by the economic downturn
Children and Young People	<ul style="list-style-type: none"> - Additional £1.9m revenue funding for Children's Social Care Services in 2010/11 reducing to £1.3m by 2012/13 as early investments in preventative work take effect. - £117.772m over the next three years to support the Building Schools for the Future (BSF) project to modernise and improve the Borough's schools as part of the longer BSF programme which totals £240m.
Active Lifestyles – Leisure & Culture	<ul style="list-style-type: none"> - £500k to improve parks and play areas across the Borough
Supporting People	<ul style="list-style-type: none"> - Additional £1.675m revenue funding for Adult Social Care Services in 2010/11, a further £1.417m in 2012/13 and an additional £0.682m in 2012/13 (i.e. a total increase in the annual budget of £3.774m by 2012/13). - Permanent funding for the extension to concessionary travel arrangements piloted in 2009/10 costing £0.14m pa - £2.1m to support independent living through disabled facilities grant
Environment & Rural Area	<ul style="list-style-type: none"> - £6.25m for maintenance of roads and pavements including around £2.5m earmarked for rural areas. - £4.2m for changes to Community Recycling Centres (CRCs)
Community Protection & Cohesion	<ul style="list-style-type: none"> - £500k for replacement and/or provision of new street lights

Another key focus for us will be to **engage and involve the community** more in decision-making - we want to work in partnership with the community by talking with not at local people.

We are for the first time proposing to set up a **Community Fund** (£150k revenue), which will be targeted at specific areas and/or demographic groups, prioritised by Cabinet to reflect local needs. The principle behind the 'Community Fund' is that people in these areas/groups, in conjunction with ward members and Town/Parish Councils, identify solutions to local issues and then prioritise which solutions are allocated resources from the 'Community Fund'. By giving people choice about investments at this very local level, we hope to be able to make a real difference 'on the ground'.

Underpinning our strategy is a continuing commitment that the Council will **allocate resources fairly and openly across the Borough**. We clearly cannot, however, invest in everything. We have therefore had to take decisions but we are still reviewing some issues and seeking community views about where extra resources need to be put.

6.3 Savings

A key element of our overall strategy framework is – **to deliver savings and efficiency targets, as far as possible minimising the impact on the quality of services**. Our general savings package for 2010/11 is £4.59m (with a further £0.2m from Education services) and further savings beyond 2010/11 will be required. A key element of our medium-term savings programme is a programme of major **service reviews**.

Two of the four service efficiency reviews being undertaken by our consultants, Northgate Kendric Ash (NKA), and the Council's Business Efficiency Team have now been completed, namely the Transport and Facilities Management (Catering and Cleaning) reviews. The Environmental Services Efficiency Review is largely completed as is the review of Leisure and Cultural Services.

The Transport review is now in the implementation stage. The recommendations for change have been endorsed by Cabinet. £1.2m net cashable savings are available over the next 3 years and almost £0.9m p.a. thereafter. NKA have been retained on a risk and reward basis to assist the council to realise the full savings on offer. Work is well underway on a full tender of all taxi, minibus and school bus contracts with the changes going live from 4th January 2010. Discussions are advanced with the Council for Voluntary Service around the provision of a voluntary driver scheme based around the rules of social kindness i.e. not for profit. Four linked business cases (Demand Responsive, Post 16 Travel, Travelink and Bus Subsidy) are currently being developed for consideration by Cabinet. Priority is being given to the Bus Subsidy Policy business case. The business case for Travel Link in particular will be informed by the consultation processes planned for December 2009 - February 2010.

The Facilities Management (Catering and Cleaning) Review has also now moved into the implementation stage. Cabinet agreed on 13th October 2009 to explore a shared service model for the catering and cleaning service whilst delivering an internal programme of efficiencies to the value of around £0.5m over the next 18 months, this benefit will accrue to school budgets. A project team is being assembled and work will commence from the start of December 2009.

The Environmental Services Review preliminary findings indicate that broadly the contract with Telford & Wrekin Services still represents value for money although there is some scope to make savings. The Leisure & Cultural Services Review is still being undertaken. This review is focussing on what scope there is for potential internal efficiencies.

In addition to the work on service reviews, we will continue to:

- Assess service priorities against affordable resources
- Streamline service delivery/generate efficiency savings
- Review income generation and external funding opportunities
- Review Invest to Save opportunities
- Review our organisational structures

The proposed savings programme for 2010/11 is attached as Appendix 4 and as each year of additional savings at this level comes forward it will become more difficult to avoid an increase in service impacts.

6.4 Attracting External Funding & Investment

A key element of our overall strategy framework is to – **Maximise external investments e.g. Government grants, to create prosperity and success.** Like many other local authorities the Council has become increasingly dependent on the use of external funding to help deliver its objectives. Currently the Council has a variety of approaches to accessing external funding, reflecting different service needs and opportunities. Whilst the Council has had many successes in accessing external funding there is more that we could do to ensure that we access more external funding in future.

The current approach to accessing external funding makes it difficult to establish a central record of funding applications submitted to local, regional and national funders and there is no central record of successful bids, completed projects and benefits delivered to the community. The Council's investment to enhance the ERDF Package Management Team significantly increased the European Union investment in the Borough and demonstrated the importance and benefits derived through a co-ordinated approach including close working with funding partners. The work of the team is continuing in a revised capacity as it will now act as a Corporate Project Office & External Funding team.

The Corporate Project office will work across the Council to:

- maximise the Council's access to external funding through the development of a greater understanding of funding sources and the use of a new Grant Finder system
- eliminate the chasing of funds which potentially diverts the focus from the Council's identified priorities
- unify the bidding process and avoid wasted effort and duplication
- develop partnership working to support the accessing of funds and project delivery
- support project implementation

- ensure the impact of external funding is effectively tracked and measured through the new grant tracker system. This will enable detailed information to be provided on funding streams, partnership working, delivery of Council priorities and benefits to the community.

6.5 Asset Rationalisation & Disposal Programme

A key element of our overall strategy framework is to – **Sell some of the Council's land and property to fund investment priorities if it is prudent to do so.** Good asset management plays a role in delivering high quality public services; delivering efficiencies; and in creating a sense of place. Property & Design (P&D), 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. P&D 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. As previously mentioned, there is a considerable dependency built in to the Council's investment programme arising from the assumed value of capital receipts yet to be realised. Further information is included within the Council's 2010/11 Asset Management Plan.

6.6 Balances & Council Tax

The medium term financial strategy put forward **seeks to minimise the level of Council Tax increase but balancing that with meeting the growing demands on Council services and costs, and minimising service cuts.** It also proposes the adoption of a prudent strategy for the use of balances.

The 3 year strategy approved in March 2008 proposed keeping the use of balances for the general funding of ongoing revenue costs to below £1m pa, while the level of Council Tax increase was proposed to fall each year and be below 3.5% by 2010/11. However, the actual Council Tax increase in 2009/10 was already below this, at 2.5% and this therefore represents the ceiling for the Council Tax increase in 2010/11. It is now proposed that the level of Council Tax increase should be restricted to 1.9% for 2010/11 – almost half the level envisaged in March 2008. A 1.9% increase equates to 31 pence per week for the average property in the Borough (Band B) or 39 pence per week for a Band D property.

Council Tax in Telford & Wrekin in 2009/10 is the lowest in the Midlands region for the services this Council provides (£125 lower than the Midlands average at Band D in 2009/10). It is also significantly below the national average for other unitary authorities (£113 lower than the unitary authority average at Band D in 2009/10). With the level of increase proposed, we do not envisage any significant change in this position. A chart comparing the level of Council Tax increase in this area against the national average

for unitary services since the creation of Telford & Wrekin Council is attached as Appendix 5. The proposed increase of 1.9% for next year would continue the downward trend in the level of Council Tax increase.

Appendix 6 summarises the overall balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This shows around £5.7m available as part of medium term budget strategy considerations, including £1m already approved for use as an invest to save fund to help the current and future savings programme being developed.

One of our key budget principles is that we **set aside some money to deal with unforeseen circumstances caused by the current economic situation**. The considerable uncertainties faced next year will need to be allowed for in any strategy and an adequate contingency is therefore required. In 2009/10 the revenue contingency totals just under £1.6m but £1m of this was only funded on a one-off basis. Having a general contingency at this level has been necessary during the current year and represents around 1% of the net budget. It is therefore now proposed that the contingency should be built in at £1.596m on an ongoing basis. A contingency at this level will help us deal with unexpected variations or the financial implications of new legislation e.g. the proposals in the Queen's Speech to give free social care with effect from October 2010. The service and financial planning proposals put forward include significant investment in to both Children & Families and Adult Social Services. However, it is also proposed that an additional earmarked contingency of £0.5m is set aside specifically in case further unavoidable pressures arise in these services during 2010/11 but this amount will be held centrally in reserve, only being released following detailed analysis of any calls on it as it is hoped that the additional investment in these services will be sufficient to meet need. As no allowance has been made for any inflation or pay awards over the period 2010/11 – 2011/12 a further amount has been earmarked to offset known income shortfalls and contractually committed inflation. This is currently held centrally pending confirmation of the minimum amounts that will need to be allocated to services in order to achieve a realistic budget during these years.

6.7 Education Services

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	3910.83	4.3%	4051.55	3.6%	4219.45	4.1%
National	4065.90	4.6%	4217.71	3.7%	4398.02	4.3%

Per pupil allocations for Telford and Wrekin are 4% lower than the national average per pupil (£178.57 less per pupil in 2010/11).

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 Government's 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).

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. In both 2008-09 and 2009-10 schools have experienced a significant impact on funding due to falling pupil numbers and this has resulted in a cumulative reduction in DSG of approximately £1.1m. This had a significant impact on funding for a number of our schools with falling rolls. The fall in pupil numbers also reduces the amount of funding available to meet the costs of 'Central' expenditure items. Work is currently being undertaken on estimating pupil numbers for 2010/11 and very early results are indicating a further loss of pupil numbers potentially resulting in around a £0.85m reduction on the current years DSG allocation for 2010/11. This may result in some schools with falling roll facing financial difficulties in managing their position especially those within the Secondary sector. Work is currently being undertaken within budget modelling to identify how this cumulative impact on specific sectors of Schools may be alleviated and the results will form part of the overall Education Budget Strategy.

In 2008 the DCSF announced a review of the formula for distributing the Dedicated Schools Grant. The aim of the review is to develop a single transparent formula that will be available for use in distributing DSG to local authorities from 2011 onwards. The proposals from this review will be consulted on in Spring 2010 and the broad decisions announced during Summer 2010, the full impact of these decisions locally will not be known until the School funding settlement in Autumn 2010.

The Facilities Management Review (see section 6.3) currently being undertaken is anticipated to deliver significant savings to schools once fully implemented (12-18 months). The costs of implementation; currently being identified will be set against these savings. Proposals for investing savings made will be brought forward during 2011 and form part of the education budget strategy for 2011/12. There will be a lead time between incurring project costs and savings materialising. It will therefore be necessary to set aside funding during 2010/11 to cover these costs.

The 2009-10 Education budget strategy was delivered by the rationalisation of grant usage and the development of a £0.35m savings programme in order to address a shortfall of £1.12m in funding. The latest view of the 2010/11 Education funding position is as follows:

Education Budget Overview 2010/11

	2010/11 £m
Total Funding Available	(129.1)
Delegated to Schools	96.7
C&YP Base Budget	21.5
Grant Use	10.9
Pressures Base Budget	0.4
Loss of Area Based Grant	0.3
Savings Package Required	0.7

There are other potential pressures from inflationary increases falling on non-DSG funded areas which are being considered as part of the Council's overall Budget Strategy.

Education Budget Projections for 2010/11 highlight £0.7m of Pressures including

- Impact of more complex needs of pupils on a range of service areas including specialist education placements.
- Impact of falling pupil numbers on central budgets (loss of funding)
- Impact of reduction in Area Based Grants
- Reduction in real terms of other grants.

Education Budget Strategy

The strategy to address the £0.7m shortfall includes substantial redirection of grants, development of a savings package and a review of the budget pressures to identify and develop appropriate options to negate identified pressures. Funding is being diverted away from universal preventative services in order to meet the increased cost of vulnerable, complex and acute services.

The savings package will be developed through a review of service delivery to ensure continuing efficient and effective use of resources to meet priorities identified within the Children and Young People's plan.

In summary the Education Strategy is set out below:

Element	2010/11 £m
Identified pressures/funding loss	0.7
Grant Increase not allocated	(0.5)
Savings package required	0.2

Other Funding Changes – Learning Skills Council Transfer

In April 2010 functions currently undertaken by the Learning Skills Council (LSC) will be transferred to the newly created Skills Funding Agency and the Young People's Funding Agency as well as Local Authorities. It is expected that Telford and Wrekin will receive approximately £18.7 million which will be a combination of funding directly passported to New College, TCAT and other post-16 providers plus some targeted funding streams again for Post-16 providers. Staff will transfer from the LSC to the Council to undertake the transferred functions but information is still awaited on the level of funding to be transferred for these staff. Current projections anticipate no shortfall in funding arising from the staff transfer.

6.8 Overall Budget Strategy

Detailed work on the 2010/11 base budget position has been completed giving a firmer view of next year and updating the forward projections for 2011/12 and 2012/13 as much as is possible with the significant uncertainties around the level and timing of future cuts in public sector funding. The financial model assumes at best a 5% real terms (3% cash) reduction in Revenue Support Grant and Specific Grants in 2011/12 and again in 2012/13 - if inflation is 2%. The alternative projections at the bottom of the table make alternative assumptions of a less severe adjustment in public sector funding of 3% real terms/1% cash grant cut in both years (scenario b) or an even harsher environment of 7% real terms/5% cash cuts in both years (scenario c). The weighting towards either alternative assumption from the main case is probably more towards scenario b at present.

	2010/11 £m	2011/12 £m	2012/13 £m
Net Base Budget – see Appendix 1	126.61	128.87	132.33
RSG and current council tax levels	(125.10)	(122.10)	(119.10)
Cumulative Base Deficit	1.51	6.77	13.23
Add: cumulative investment proposals above base position	4.19	6.10	7.40
Additional contingency	0.50	0.50	0.50
2010/11 Savings package	(4.59)	(4.59)	(4.59)
Offset by 2010/11 service review implementation costs	0.40	0.30	0.10
Funding requirement	2.01	9.08	16.64
Tax rise of 1.9% in 2010/11	(1.03)	(1.03)	(1.03)
Unfunded deficit requires use of Balances plus future council tax increases and savings programmes 11/12 and 12/13-size of shortfall varies with:-			
Alternative Grant Assumptions : a) Main Assumption on which this table is based: 5% real terms (3% cash- if 2% inflation) grant cut in year 2 and additional 5% in year 3	0.98	8.05	15.61
Scenario b) Less harsh public spending cuts to protect slow recovery from the recession: 3% real terms (1% cash) cut in grants in years 2 and 3	0.98	6.05	11.61
Scenario c) Harsher cutbacks to sustain UK financial credibility by addressing ballooning public funding deficit: 7% real terms(5% cash) cut in grants in years 2 and 3	0.98	10.05	19.61

Given the considerable uncertainty over grant levels after the current three year settlement period ends, it is not possible to indicate council tax increases for the years following 2010/11 at this stage. However, every effort will be made to continue the commitment to a downward trend in the level of Council tax increase.

The overall strategy proposals are therefore to:

- **Continue the existing strategy of year on year reductions in the level of council tax increase, with an increase of 1.9% in 2010/11 (equivalent to 31 pence per week for the average property), and ensuring that the Council continues to have one of the lowest levels of council tax in the Midlands.**
- **Maintain the existing strategy of using less than £1m pa balances as part of the funding for the ongoing net revenue budget.**
- **Build upon the existing 3 year capital investment programme.**
- **Approve new 2010/11 revenue investment in to services for Children & Families of £1.9m and in to Adult Social Services of £1.675m.**
- **Realise a main savings package of £4.59m and an additional £0.2m for Education services in 2010/11.**
- **Endorse the existing provision of £1m set aside from reserves for invest to save initiatives.**
- **Provide an increase in the contingency of £0.5m to cover social services pressures.**

7. NEXT STEPS-CONSULTATION & COMMUNICATION

As in previous years, consulting and communicating with the community on our future plans will be a key part of the Budget process. As well as consulting on specific Budget proposals, we will also be seeking views on people's longer-term priorities, both in terms of day to day services and major projects.

Our consultation plan, which is set out in Appendix 7, includes a postal survey of the Community Panel and meetings with a wide range of stakeholder groups. We will also consult with the cross party Value for Money Scrutiny Group at their meetings in December and January. Opposition Groups that wish to put forward alternative budget proposals should also consult with the Value for Money Scrutiny Group prior to the Cabinet's proposals being presented to full Council.

We are proposing a number of improvements to our consultation approach this year, including:

- Producing a Budget Overview – a short summary written in plain English and encouraging people to give their views in a variety of ways;
- Carrying out budget consultation jointly with key partners where appropriate, such as the Fire & Rescue Service
- Making consultation meetings more interactive.

In addition to consulting on the budget, it is vital that we proactively manage communication of the key elements of the Budget. Whilst consultation meetings will help with briefing the main stakeholder groups, a wider communication strategy will be implemented to ensure that the community are kept informed of our proposals and plans.

Timetable

Key dates in the process are:

- Consultation after 8th December 2009 Cabinet up to mid February 2010.
- Final Budget proposals agreed by Cabinet 23rd February 2010 and recommended to Council.
- Budget Approved and Council Tax set by full Council on 4th March 2010.

8. 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 and will carry out a high level Equalities Impact Assessment of the Budget package.

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

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

Report prepared by Ken Clarke, Head of Finance and Richard Partington, Head of Policy, Performance & Partnership