

TELFORD & WREKIN COUNCIL

COUNCIL 4 MARCH 2010

SERVICE & FINANCIAL PLANNING: 2010/11 – 2012/13 OVERVIEW & REVENUE BUDGET

REPORT OF THE CHIEF EXECUTIVE & CHIEF FINANCE OFFICER

1.0 PURPOSE

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

2.0 RECOMMENDATIONS

Members are asked to approve the following recommendations from the 23rd February Cabinet:

- 1. The Base Budget summarised by Service Delivery Unit in Appendix 1**
- 2. New 2010/11 revenue investment in to services for Children & Families of £1.9m and in to Adult Social Services of £1.675m.**
- 3. The creation of a contingency of £0.5m to cover further potential social services pressures.**
- 4. The Investment Programme for 2010/11 and its funding outlined in Appendix 3 and to note the investment programme for future years**
- 5. The 2010/11 Savings Package of £4.726m in Appendix 4 plus £0.5m in Education services with an outline target of at least £5m additional savings in both 2011/12 and 2012/13; and associated costs of £0.400m relating to the implementation of the service reviews.**
- 6. The Education budget strategy in paragraph 5.7**
- 7. The use of £0.98m balances to support the ongoing revenue budget plus the associated policy for Reserves and Balances in appendix 5.**
- 8. The Statement of the Chief Finance Officer in paragraph 5.8.2 (supported by appendix 5 outlining the Robustness of Budget Estimates and Adequacy of Reserves);**
- 9. The policy framework for Reserves outlined in appendix 5C**
- 10. A Council Tax increase of 1.9% - equivalent to 31p per week on the average bill for this Council's services. Future increases will also be held at, or below, 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 2010/11. The report outlines the wide variety of challenges facing the area particularly from a potential significant reduction in real terms in the level of government grant from 2011/12 onwards.

3.2 UPDATED POSITION

The Cabinet's service and financial planning strategy for 2010/11 – 2012/13 was launched at Cabinet on 8th December 2009. Since this time extensive public consultation has been undertaken, the results from which are summarised in Appendix 6. The Value for Money Scrutiny Group have reviewed the proposals at meetings held on 9 December 2009, 27 January 2010, 10 February 2010 and 18 February 2010. A summary of their views is attached at Appendix 6b. Alternative proposals from the Labour Group were also considered by the Value for Money Scrutiny Group.

The 8th December Cabinet report highlighted that insufficient data was available at that time to be able to include the financial consequences of some key capital schemes – Town Centre, replacement Civic Offices and the Town Park. The Cabinet meeting held on 12th January 2010 included reports dealing with these projects and the financial consequences arising from them are now built in to this updated medium term service and financial planning strategy. Further investment in housing schemes was approved by Cabinet on 26th January 2010 and investment in Sutton Hill Local Centre at Cabinet on 9th February 2010. These together with proposed investments in Hadley Centre and the Tennis Centre which are the subject of other reports on this agenda are all now built in to the medium term projections contained within this suite of reports.

Since 8th December, the provisional revenue support grant settlement has been confirmed without amendment and the Pre-Budget report has been announced which has indicated that a further 0.5% National Insurance increase will be payable from the start of 2011/12. The impact of this has now been included within the medium term projections along with the previously announced 0.5% increase also effective from that date.

Other key assumptions have also been reviewed including treasury management interest rates and other projections which resulted in a small net change to the base budget of £0.018m. Inflation assumptions have also been reviewed and increases in the headline rate of inflation (RPIX 3.8% and CPI 2.9% in December) will need to be monitored and the decision not to build general inflation allowances in to most budgets for 2010/11 and particularly for 2011/12 will have to be kept under review, although recent announcements by the Local Government employers that no pay award will be offered to employees in 2010/11 will help the Council's financial position.

Some additional savings arising from re-structuring opportunities have also been identified and built in to the budget projections. The net effect of these various changes results in no alteration to the original call on balances of £0.98m for 2010/11 proposed in the 8th December Cabinet report. However, projections for future years show an increased budget

shortfall which will need to be addressed as part of the development of future service and financial planning strategies. Addressing the shortfall in future years will include a drive for further efficiencies including restructuring services, identification of savings from lower priority services to fund investment priorities and a review of the investment programme itself all of which will need to be undertaken in the context of the Revenue Support Grant settlement for 2011/12 – 2013/14 expected to be announced in late November/early December 2010. However, it should be noted that there is now some speculation that due to the Government's need to make very significant reductions in public expenditure in coming years that we may only receive a one year grant settlement later this year which would allow the Government more time to plan where, when and how they wish to make reductions in spending but would give continued uncertainty to the Council in developing its future service and financial strategy.

3.3 PROPOSALS

Members have considered the responses to their consultation process as well as updating budget assumptions with the latest information available. The resulting strategy proposals are

- Confirmation of the proposed investment programme for 2010/11 supplemented by additional investments in Telford Town Centre, Civic Offices, Telford Town Park, housing, Sutton Hill and Hadley local centres and the tennis centre.
- A general savings package of £4.726m for 2010/11 plus a further £0.5m in Education services and target of at least £5m for the 2011/12 and 2012/13 years
- Use of £0.98m balances to support the ongoing net budget in 2010/11
- A council tax increase of 1.9% for 2010/11 with a commitment that the increase for future years in this planning period will be at, or below, this level - subject to the impact of the new 3 year grant settlement due for 2011/12 .

The summary below reflects the 2010/11 proposals, the impact of the changes summarised above since the 8th December Cabinet report and the projected budget gap for future years based on the central case scenario for government grant cuts set out in the 8th December report of a 5% real terms (3% cash – if inflation is 2%) grant cut in 2011/12 and an additional 5% cut in year 3.

	2010/11	2011/12	2012/13
	£m	£m	£m
Base funding requirement set out in 8th December Cabinet requirement	2.010	9.080	16.640
Change to treasury management base	0.018	0.068	0.068
Revenue impact of additional investment proposals	0.121	0.580	1.670
National insurance increases		0.520	0.520
Additional savings identified	(0.139)	(0.139)	(0.139)
Updated funding requirement	2.010	10.109	18.759
Council tax increase of 1.9% in 2010/11	(1.030)	(1.030)	(1.030)
Use of Balances in 2010/11	(0.980)		
Funding Package to be met from further savings measures, council tax increases and use of balances.	0	9.079	17.729

If Council tax increases in 2011/12 and 2012/13 were at broadly the same level as that proposed for 2010/11 and if the use of balances is capped at £1m for both years, additional savings of around £7m will be needed during 2011/12 and a further £7.5m in 2012/13 on this central case. Two alternative scenarios showing indicative levels of cumulative savings required are set out below:-

Sensitivity analysis – potential level of future savings required assuming council tax increase and use of balances broadly in line with 2010/11	2011/12 £m	2012/13 £m
Scenario a – our central case of 5% real terms (3% cash – if inflation is 2%) grant cut in 2011/12 and an additional 5% in year 3.	7.0	14.7
Scenario b – less harsh public spending cuts to protect slow recovery from recession: 3% real terms (1% cash – if inflation is 2%) grant cut in 2011/12 and an additional 3% in year 3.	5.0	10.7
Scenario c – harsher cutbacks to sustain UK financial credibility by addressing ballooning public funding deficit of 7% real terms (5% cash – if inflation is 2%) grant cut in 2011/12 and an additional 7% in year 3.	9.0	18.7

It is exceptionally difficult to predict the position for 2011/12 and future years due to the uncertainty of how much and how quickly the Government will seek to reduce public spending but even on the most optimistic scenario savings of at least £5m pa will be required and potentially much more. It is therefore essential that work is started at an early stage to identify options to deliver savings of this magnitude which will necessitate cuts to some front line services as well as efficiency savings.

4.0 SERVICE & FINANCIAL PLANNING CONTEXT

4.1 STRATEGIC & POLICY CONTEXT

4.1.1 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 undertaking our service and financial process for the three year period commencing 2010/11, our starting point has been:

4.1.2 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**” that has been developed in consultation with the community. The Council also supports the long-term ambitions for the Borough set out in Vision 2026 and is committed to the key performance targets in the Local Area Agreement.

4.1.3 **The Council's current Corporate Strategy**

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

- **Housing, Regeneration & Prosperity**
- **Children and Young People**
- **Active Lifestyles**
- **Adult Care and Support**
- **Environment & Rural Area**
- **Community Protection and Cohesion**
- **An Efficient, Community-Focused Council**

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 has exacerbated this position and we are very aware of the many difficulties and pressures it has placed on local people and organisations. 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.

As reported to Cabinet on 8 December 2009, 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.

4.1.4 **Understanding Key Issues & Challenges**

From our review of needs and key issues in the Borough two 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.

4.1.5 **Care & Safeguarding Services for Vulnerable Children and Adults**

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. These are vital services where we, particularly in relation to safeguarding our most vulnerable children and adults, must be constantly vigilant. Following the tragic case 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. The profile and importance of this issue is also reflected in the feedback we have received from our consultations.

4.1.6 **Economic/ Housing Downturn**

The current economic and housing downturn continues to be an issue of fundamental importance. The impacts of the downturn are wide and seem likely to manifest themselves for at least the remainder of our medium-term planning period. These already include increasing levels of unemployment and benefit claimants, some increase in acquisitive crimes, reductions in inward investment enquiries and a relatively stagnant local housing market. Clearly, also, we must be very mindful of the growing financial pressure that households feel under when determining our Budget Strategy and the level of Council Tax increase.

In terms of our current strategy, we are showing confidence, leadership and investment in the future of the area. Our priorities include 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 the 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.

An issue which we are placing high on our list of priorities is housing. We are working closely with various agencies 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) and address homelessness.

CONSULTATION FEEDBACK

4.2

As in previous years, consulting and engaging with the community on our future plans has been a key part of the Budget process. For 2010/11, consultation has focused on:

4.2.1

- Overall views about the way we run things;
- Budget principles;
- Spending plans and priorities, including:
 - Revenue investments;
 - Capital investments.
- Savings plans;
- Council Tax levels.

4.2.2

Our consultation programme has included:

- A postal survey of the Community Panel (534 responses);
- 'Your Money, Your Views' consultation document (275 responses to date);
- Engagement events in Borough Towns (455 participants);
- Meetings with 11 external and internal stakeholder groups.

4.2.3

Appendix 6a) sets out further details of the feedback we have received to date.

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

a) Overall Views

Looking at overall views, 79% of Community Panel respondents agree that the Council's Budget Strategy will benefit the local community (3% disagree). In addition, **86% are**

satisfied with the way the Council runs things (6% dissatisfied), which compares very favourably with a figure of 68% in April 2009. These results are reinforced by a number of positive comments from Panel and 'Your Money, Your Views' respondents about the Council's spending and savings plans and the Council's willingness to listen to the views of local people.

b) Budget Principles (see Appendix 6a, 2.2)

There is substantial support (85% +) amongst the Community Panel for the majority of budget principles set out in Section 5.2 of this report. The principle with the lowest level of support is 'sell some of the Council's poor performing land and property to fund community priorities (if it is practical and prudent to do so)', which 73% of respondents agreed with (14% disagreed).

The Council is planning to fund a major programme of infrastructure improvements in the Borough from capital receipts from the sale of land. Given the recent decline in the property market, the Council will carefully consider the appropriate timing of asset sales which will incur some short-term borrowing.

c) Spending Plans and Priorities (see Appendix 6a, 2.3)

• **Revenue Investments**

A high percentage of the Panel support the proposal for extra revenue funding for **Adult and Children's Social Care** (90% and 88% respectively). There is also support for extra funding to help people affected by the economic downturn (72%).

Looking at a broader range of 12 day to day services (see Section 2.3a), there appears to be broad overall agreement that the 4 highest long-term priorities are:

- a. **Crime and safety;**
- b. **Maintenance of roads, pavements and street lights;**
- c. **Social services for disabled adults and older people;**
- d. **Education.**

With regard to the specific proposal to set up a new **Community Fund** (see Section 2.3b), 75% of the Panel support it (11% oppose). Of those who oppose it, there are concerns that not enough money is being allocated to make a real difference and that the fund could lead to competition within communities.

Over 600 suggestions have been received about how the Community Fund should be spent, which is a very positive indication of how the fund can engage and involve local people. The three areas with the most support are:

- Sport and leisure facilities e.g. 99 separate responses asking for a skate park;
- Small environmental improvements e.g. repairing potholes, dropped kerbs, litter picking
- Activities for young people e.g. youth/after school clubs, more music/arts projects.

• **Capital Investments (Appendix 6a, Section 2.3c)**

Looking at where regeneration should be targeted, it is clear that amongst the Panel there is significantly more support for regenerating the **Borough Towns** (83% support,

4% oppose) than redeveloping **Telford Town Centre** (38% support, 25% oppose). Most groups have a similar view with regeneration of the Borough Towns being ranked as the top priority overall at consultation meetings. The reason why support for the Borough Towns is consistently high appears to be that people feel a strong affinity to their 'local' centre and therefore want to see regeneration and economic development focused in these areas.

Almost three-quarters (72%) of the Panel support the creation of new **Sports & Learning Communities** and this was ranked as the 3rd equal highest priority overall at consultation meetings.

Views about regenerating the **New Town Estates** are more mixed (65% of the Panel support, 13% oppose). Feedback from consultation meetings suggests that although some people feel a lot of money has already been spent on New Town Estates, there is an acceptance amongst others that there is a need to further improve these areas.

There are also high levels of support amongst the Community Panel for investing more in **roads and pavements (97%), street lights (88%), improving recycling (81%) and parks/play areas (74%)**. However, at consultation meetings, opinion was divided about the relative importance of these investments, for example street lighting was ranked as the lowest priority overall.

The issue of **housing** generated much debate. Results from the Panel and consultation meetings suggest that people generally place more importance on **Extra Care housing** than supporting the building of **new homes**. The main reason for this appears to be concerns about the number of new houses being built, particularly in rural areas.

- **Missing Priorities**

Overall, there appears to be a high level of agreement with and support for the Council's spending plans and priorities. However, over 190 responses have been received that highlight areas that people would like to see included or allocated more funding. The three areas most frequently raised are:

- Skate park (see Community Fund above);
- More support for local shops and businesses and tourism promotion Borough-wide;
- Cheaper and more reliable public transport and better concessionary travel scheme.

d) **Savings Plans (see Appendix 6a, Section 2.4)**

Consultation on savings focused on two specific savings proposals: switching off certain **street lights** between midnight and 5.30am and providing **Travel Link Shop** services in a different way.

Approximately three-quarters of the Panel agree with both these proposals, although the percentage of people disagreeing is slightly higher for turning off certain street lights between midnight and 5.30am (18%) than for providing Travel Link services in different ways (10%). The results of the consultation on the Travel Link Shop will be considered by Cabinet as part of a full business case in March 2010.

Over 300 suggestions have been received about how the Council could save money in

future. These very much focus on reducing staff/Councillor costs and prioritising essential, existing services and projects. Suggestions cover:

- **Employees/Councillors** e.g. get rid of senior managers/non-essential jobs, reduce Councillor expenses, freeze/reduce pay and benefits;
- **Reduce/change services** e.g. further reduce the number of street lights, reduce traffic lights/management schemes;
- **Get the best price** e.g. outsource/contract out more and review existing contracts;
- **Bring money in** e.g. increase fees/charges, more fines/penalties, sell land and assets;
- **Cut out waste** e.g. reduce publicity material, stop hospitality and spend less on postage, furniture and ICT.

e) **Council Tax Levels (see Appendix 6a, Section 2.5)**

Amongst the Panel, **85% of respondents support the proposed Council Tax increase** of 1.9% (8% oppose). For 'Your Money, Your Views' this figure drops to 46% (although it should be noted that around 30% of respondents neither support nor oppose the proposed increase).

For those people who oppose the proposal, about two thirds want a lower or zero increase whilst the remainder feel that the increase should be higher in order to protect and invest in services.

4.3 FINANCIAL POSITION

4.3.1 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 2009/10 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.

2010/11- 2012/13 - Medium Term Planning Context

4.3.2

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, it is clear that 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 is now the largest since the Second World War and despite the 0.1% economic growth recently announced for the last quarter of 2009, the effects of the recession are 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.

The recession has put greater demands on the Council's budget including:

- increased demand for benefits and welfare services, homelessness services and social care
- 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 and other Council income sources are also being affected (e.g. Section 106, Property Investment Portfolio rents etc)

The Council faces many other challenges including pressure on Childrens and Families budgets which has been consistently reported through financial monitoring reports in 2009/10, the impact of an ageing population and uncertainties around the Single Status process and its impact on the pay bill.

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, however, final operating guidance is still awaited.

However, despite these uncertainties, the Council must now conclude its service and financial planning process and roll the three year strategy forward. 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 are cut by say 1% the Council would face a reduction in available resources of over £1m.

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 (£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 average at

Band D in 2009/10) 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

The investment programme is now dependent on around £80m of capital receipts yet to be realised together with significant anticipated contributions from partner organisations that are not yet guaranteed of over £13m for the Town Centre redevelopment project. This is a considerable exposure and represents a key risk, particularly in the current economic climate. These dependencies will therefore be subject to close monitoring and variations from plan reported through the financial monitoring process. Mitigation factors could include a combination of re-phasing or scaling back some schemes or additional borrowing on a temporary or long term basis.

A summary of the 2010/11 base budget is attached at Appendix 1 while Appendix 2 shows year on year movements from the 2009/10 budget. Budgets for Service Delivery Units will be restated once the current restructuring exercise has been completed and once Council has made final decisions on the savings and investment proposals contained in this report.

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 refreshed our strategy. Full details of the proposals are set out the sections below, however, in summary they are:

- Given the high levels of support for minimising the level of Council Tax increase expressed in our consultations, the comparatively low current, although rising, inflation rate, and setting these alongside the many financial challenges facing families and households across the Borough, it is considered that the Council should **limit the Council Tax increase to 1.9% for 2010/11**;
- In order to fund a Council Tax increase strategy of just 1.9%, there is a need to secure further savings/efficiencies. To address this, the Council is continuing to **streamline and restructure the organisation and reduce waste and bureaucracy** with a view to making savings of **£5.2 million** (including education) in 2010/11. Clearly, the challenges do not end with the agreement of this Budget and we recognise the need to continue to realise on-going savings targets;
- To address the pressures set out in Section 4.1, our revenue investments focus on extra funding for Social Care Services (both Adult and Children). We are also planning to set up a new Community Fund, which will involve local people in allocating funding to the things that matter most at a neighbourhood level;
- Our capital investments focus on transforming and improving the Borough, for example regenerating the Borough Towns, Town Centre and New Town Estates and improving infrastructure like roads and street lights for the long-term.

5.2 OUR GUIDING PRINCIPLES

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

- Develop spending plans 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 efficiencies and savings, as far as possible minimising the impact on the quality of services;
- Look for external investment e.g. Government grants, to create prosperity and success;
- Sell some of the Council's poor performing land and property to fund community priorities (if it is practical and prudent to do so);
- Set aside some additional money to deal with any unforeseen circumstances caused by the current economic situation;
- Keep the use of Council reserves to a minimum and use only when we need to.

5.3 INVESTMENTS

5.3.1 As set out above, we have developed our medium-term strategy based on a number of core guiding principles including developing our spending plans around community needs and priorities.

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 will be lesser priorities where we will have to continue either with similar levels of resources or where savings will have to be made.

5.3.3 As described in Section 4.1, 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 priorities are set out in the table below

Priority	Investment Proposals (2010/11-2012/13)
Housing, Regeneration & Prosperity	<ul style="list-style-type: none"> - £59.2m for Phase 1 of the redevelopment of Telford Town Centre including provision of new Civic Offices - A 5 Year programme of over £20m to fund key projects to deliver our Borough Towns Initiative - £11m to support the regeneration of former New Town Estates (Woodside, Brookside and Sutton Hill) - £10.8m for housing supply and affordable housing - £1m for extra care housing - £76k revenue funding (2010/11) 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 - £115.3m to support the Building Schools for the Future

	project to modernise and improve the Borough's schools
Active Lifestyles	- £2.2m for the provision of a Lawn Tennis Academy
Adult Care & Support	- Additional £1.675m revenue funding for Adult Social Care Services (2010/11)
Environment & Rural Area	- £9.9m for maintenance of roads and pavements including £2.5m specifically for rural areas. - £16.7m for projects to enhance and support the provision of new transport and highway infrastructure in the Borough - £500k to improve parks and play areas across the Borough - £3.8m for Parks for People
Community Protection & Cohesion	- £500k for replacement and/or provision of new street lights - £2.8m to support independent living through disabled facilities grant
Efficient, Community-Focused Council	- £3.5m for new ICT systems to improve the quality and efficiency of services provided to the public - £4.7m for repair, maintenance and improvement to our buildings.

5.3.4 The 3 year Investment Programme of both revenue and capital proposals is attached at Appendix 3a. Capital projects are funded from a variety of sources including external grants, contributions from partner organisations, proceeds from the sale of assets as well as borrowing some of which is supported by additional government revenue funding (although this benefit can largely be lost through the grant damping mechanism) and the remainder being funded by the Council's revenue budget. The full capital programme incorporating the capital elements of the Investment programme is included with the separate capital programme report on this agenda.

5.3.5 Another key focus for us will be to **engage and involve the community** more in decision-making. We are for the first time proposing to set up a **Community Fund** (£150k revenue 2010/11). The principle behind the Community Fund is that local people, 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 neighbourhood level, we hope to be able to make a real difference to the things that matter most to local people.

5.4 **SAVINGS**

5.4.1 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 £4.726m (with a further £0.5m from Education services) and significant levels of further savings beyond 2010/11 will be required. A key element of our medium-term savings programme is a programme of major service reviews.

5.4.2 **Service Reviews.**

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

Efficiency Review is also largely completed.

The Transport review is now in the implementation stage. The recommendations for change have been endorsed by Cabinet. £1.2m net cashable savings are projected 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. The Facilities Management (Catering and Cleaning) Review has also now moved into the implementation stage. Cabinet agreed to deliver an internal programme of efficiencies to the value of around £0.5m over the next 18 months which will mainly accrue to school budgets, subsequent to that we will be exploring shared service options as part of a wider consideration of shared service arrangements with other public sector organisations.

The Environmental Services Review 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 finalised. 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. As each year of additional savings at this level comes forward it will become more difficult to avoid an increase in service impacts.

5.4.3 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.

5.4.4 **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 other Service Delivery Units, 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 which is included within the Capital Programme report later on this agenda.

5.5 **BALANCES, CONTINGENCIES AND COUNCIL TAX**

5.5.1 **Balances**

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 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 £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 future savings programme being developed. The proposed strategy for 2010/11 uses £0.98m of the uncommitted balances to fund the ongoing revenue budget.

5.5.2 Contingencies

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 need to be allowed for in our 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 was also proposed in the 8th December Cabinet report that an additional earmarked contingency of £0.5m is set aside specifically in case further unavoidable pressures arise in these services during 2010/11. It is proposed that 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.

An amount had also been held back centrally for budgets where income was significantly short of target in the current year and to meet the costs of contractually committed inflation as an exception to the general approach of allowing no inflation for the next two years. This had been held centrally in order to ensure that if income projections started to look more positive, the funding would not be allocated. However, this is not the case. The allowance for contractually committed inflation was also retained centrally as the indices used to determine the Council's liability were not available at the time the December report was prepared. It is now considered prudent based on the additional information available to allocate £0.4m of the amount set aside for income shortfalls on a one-off basis to reduce the property Investment Portfolio income target on a one-off basis in 2010/11 and to now feed through the allowance for contractual inflation to environmental services and education transport totalling £0.47m. This will leave around £0.6m available in this contingency for further inflationary pressures or income shortfalls but allocation of this will need to be strictly controlled.

5.6 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.

The 3 year strategy approved in March 2008 proposed that the level of Council Tax increase should 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. There has been general support through the consultation process for a council tax increase for 2010/11 of 1.9% for 2010/11 – almost half the level envisaged for this budget back 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. All households receiving council tax benefit are fully protected from any increase - this includes over half the elderly households in our area.

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 7. The proposed increase of 1.9% for next year would continue the downward trend in the level of Council Tax increase.

The proposed approach for a Council tax strategy over the next 3 years has to balance funding the cost of central government grant cuts, 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 commitment to seek to continue the downward trend of year on year levels of council tax increase will have to be reviewed once the funding settlement for the Council for 2011/12 and future years has been announced by the Government and its impact on services can be assessed.

5.7 Education Services

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%

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 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).

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 £1.1million. 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. The latest estimates of pupil numbers for 2010/11 are indicating a further loss of pupil numbers potentially resulting in around a £730k 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.

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 2009-10 Education budget strategy was delivered by the rationalisation of grant usage and the development of a £350k 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

5.7.2

	10/11 £m
Total Funding Available	(129.5)
Delegated to Schools	96.5
C&YP Base Budget	21.6
Grant Use	11.4
Pressures Base Budget	0.2
Loss of Area Based Grant	0.3
Savings Package Required	0.5

There are other potential pressures from inflationary increases falling on non DSG funded areas which in line with the Council's overall Budget Strategy have not been allocated additional budget to cover them, except in the case of some allowance for contractually committed inflation cost increases.

5.7.3 Other Funding Sources

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

- Revenue Support Grant/Council Tax (£13.3m 2010/11)
- Specific ring fenced grants (£11.3m 2010/11)
- Area Based Grants (£5.5m 2010/11)

Education Budget Projections for 2010/11 highlight £0.5m 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

5.7.4 Education Budget Strategy

A savings package has been developed to address the £0.5m shortfall. Some of these proposals will involve funding being diverted away from universal preventative services in order to meet the increased cost of vulnerable, complex and acute services.

The savings package has been developed through a high level 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.

Education Budget Savings	£
Vacancy Management	166
Cessation of Catering Loan repayment period	150
Changes to the Creative Arts Programme	20
Changes to the Extended Learning Programme	30
Review of Specialist Support Services	134
Total	500

Other Funding Changes – Learning Skills Council Transfer

- 5.7.5 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.

5.8 OVERALL STRATEGY

5.8.1 Following the next Comprehensive Spending Review which will take place after the General Election, the public sector will face a period of unprecedented uncertainty. This will impact on funding that the Council receives from Central Government in the main Revenue Support grant and all other grants as well as perhaps making it more difficult to obtain funding for joint projects with partner organisations as their funding is also likely to be under equal pressure. Members have considered the responses to their extensive 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:-

- 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 with a call of £0.98m from the £5.7m available in 2010/11.
- 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 £4.726m and an additional £0.5m for Education services in 2010/11.
- Endorse the existing provision of £1m set aside from reserves for invest to save initiatives.
- Provide a contingency of £0.5m to cover social services pressures.

5.8.2 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. However, a number of risk areas will need to be monitored carefully during the year including the dependency of the capital investment programme on receipts and contributions yet to be obtained. The Council will also need to reappraise its overall strategy once information on the scale and timing of future government grant cuts becomes available. Appendix 5 amplifies this statement.

6.0 OTHER IMPLICATIONS

Equality & Diversity

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 has carried out a high level Equalities Impact assessment of the Budget package. This is included as Appendix 8.

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 and other Government grant related papers, Council Plan.

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