

TELFORD & WREKIN COUNCIL

COUNCIL – 3 MARCH 2011

**SERVICE AND FINANCIAL PLANNING 2011/12 TO 2013/14 OVERVIEW
AND REVENUE BUDGET**

**REPORT OF THE CHIEF EXECUTIVE AND THE CHIEF FINANCIAL
OFFICER**

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

This report seeks approval of the Service & Financial Planning strategy for the period 2011/12 to 2013/14 with specific budget proposals for 2011/12. This report, along with other reports on this agenda covering:-

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

forms the overall Medium Term Service & Financial Planning framework for the Council and propose the service priorities and budget for 2011/12.

The final Formula grant settlement for local authorities was announced on 31st January 2011 although details of some grants are still awaited. The final grant settlement for 2011/12 is only £0.002m different from the provisional settlement announced in December. For this Council, Government grants for day to day services have been reduced by £13.6m next year in cash terms. This equates to over 50% of the expected grant reductions that we will need to make over the 4 year CSR period. A further reduction in grants of over £5m has also been announced for 2012/13. This is on top of £3m grant reductions already made as part of the Government's emergency budget measures during the summer- a total reduction of over 16% in non Education funding by next year. Projections beyond 2012/13 have a high degree of uncertainty because of a planned major review of the local government finance system.

At the end of December the Cabinet released its budget proposals explaining how it proposed to meet an anticipated £20m funding shortfall for 2011/12. These proposals had been informed by extensive consultation that had taken place with the community over the last 12 months. The draft proposals have themselves then been subject to extensive consultation since they were released including meetings with stakeholder groups, extensive review by the Council's seven scrutiny commissions, a survey of Community Panel members, distribution of the "Your Money, Your Views" consultation newsletter which was also available on line and canvassing opinion "on the streets" face to face. Further to the consultation process a number of changes have been made to the detailed savings proposals which are exemplified in the report.

Key proposals are:-

- To freeze the level of council tax levied by the Council in 2011/12 continuing the Council's recent practice of reducing the rate of year on year increase as an acknowledgement of the pressure that household budgets are under and taking advantage of the Government's tax increase funding grant.
- Continuation of a comprehensive programme of service reviews and staff restructuring that will generate significant ongoing savings over the medium term financial strategy period. A 20% target has been set across the board although the actual level of savings will vary between different services.
- To make new investments of £1.4m in childrens' social care services and to protect the adult social care budget by reinvesting savings of £1.6m back in to adult social care services.
- To continue the Council's investment commitment in key infrastructure projects such as new and improved schools and the regeneration of the Borough Towns and Telford Town Centre.
- To use balances and one-off benefits carried forward from early action on the savings programme taken in 2010/11 to support the budget in 2011/12. This will be replaced ongoing by the full year impacts from the programme of organisation restructuring and service reviews which are well under way, coming through from 2012/13.
- To suspend the contribution of £2.8m to the single status provision on a one off basis in 2011/12.

The Council's Chief Financial Officer is required to give a view on the robustness of the Council's financial strategy including the use of balances and of the financial planning process. Appendix 5 gives a more detailed view, but overall the conclusion is that given the planned programme of service reviews and accompanying organisational and staff restructures which have been under way for some time now, it is considered that the Council is pursuing a sound financial strategy in the context of the most difficult financial position it has faced due to the heavily front loaded Government grant cuts.

Recommendations approved by Cabinet will be considered at full Council on 3rd March 2011 as full Council is responsible for setting the overall revenue and capital budget framework. At this meeting full Council will also set the Council Tax for 2011/12.

2. RECOMMENDATIONS

Members are asked to approve the following recommendations from the 22 February 2011 Cabinet:-

- 2.1 The base budget summarised by Service Delivery Unit in Appendix 1;**
- 2.2 The freezing of council tax in 2011/12;**
- 2.3 New revenue investment in Looked After Children of £1.4m in 2011/12 and the reinvestment of £1.6m savings from Adult Social Care to offset pressures being faced by Adult Social Care services in 2011/12;**
- 2.4 To consider the feedback from consultation and agree to provide a written response to comments from scrutiny where requested in Appendix 6(a);**
- 2.5 The 2011/12 net savings package of £8.1m from non-staffing budgets and £5.1m from staffing budgets detailed in Appendices 3 and 4 plus a further £0.5m in Education services;**
- 2.6 The planned savings targets in future years detailed in Appendix 3;**
- 2.7 The earmarking of the projected recoupment of £1.7m VAT refunds anticipated to be received in 2010/11 to support the budget on a one-off basis in 2011/12;**
- 2.8 The earmarking of £0.577m savings from non-staffing budgets and £0.858m restructure savings delivered ahead of schedule in 2010/11 to support the budget on a one-off basis in 2011/12;**
- 2.9 The suspension of the £2.8m contribution to the single status provision on a one off basis in 2011/12;**
- 2.10 The Education budget strategy set out in section 4.8;**
- 2.11 The statement of the Chief Finance Officer in paragraph 6 (supported by Appendix 5(b) outlining the robustness of the Budget Estimates and the Adequacy of Reserves);**
- 2.12 The policy framework for Reserves and Balances outlined in Appendix 5;**
- 2.13 The use of £1.42m general balances to support the ongoing revenue budget, in 2011/12;**

- 2.14 The transfer of the remaining balance of £0.8m in the Invest to Save Reserve in to the Redundancy Costs provision;
- 2.15 The approval of additions of £1.243m and £2.10m to the budget frameworks for 2010/11 and 2011/12 respectively to reflect funding transfers from the PCT as outlined in paragraph 4.2

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The service and financial planning strategy is integral to ensuring that available resources are used as effectively as possible in delivering all corporate priorities.</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>An Equalities Impact Assessment is included at Appendix 8 of the report.</i>
TARGET COMPLETION/DELIVERY DATE	<i>Following consideration at Cabinet, the report and recommendations from Cabinet will be considered by full Council on 3 March 2011. The final agreed recommendations will be implemented during 2011/12 and future years.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<i>This report sets out the service and financial planning strategy for the council for 2011/12 and the medium term.</i>
LEGAL ISSUES	Yes	<i>This report develops the proposals for the Council's budget and policy framework which have been consulted upon in accordance with the Constitutional budget and policy framework procedure rules that will, in due course result in the Council setting its budget and council tax levels by the March deadline laid down by the Government</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>This report sets out the strategy framework which includes consideration of the corporate risk register – particularly in relation to the availability of balances.</i>
IMPACT ON SPECIFIC WARDS	Yes/No	<i>Borough-wide impact.</i>

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

4.1 INTRODUCTION

This report along with the following papers on the agenda covering

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

forms the overall Medium Term Service & Financial Planning framework for the Council and propose the service priorities and budget for 2011/12.

The Cabinet's service and financial planning strategy for 2011/12-2013/14 was launched at Cabinet on 11th January 2011. This report included details of the Comprehensive Spending Review (CSR) which was announced on 20th October and which made it clear that local authorities could expect significant reductions to their revenue and capital funding over the four year period covered by the CSR. It was clear from the CSR that Communities and Local Government, the Government department from which the Council receives most of its funding could expect very significant budget reductions and that over a four year period local government faced something in the region of 27% real terms grant reductions compared to an average reduction of 8.3% across all Government departments. These reductions would be in addition to the "in-year" grant reductions made in June 2010, shortly after the election, which totalled £3m revenue and £1m capital for this Council.

Details of the provisional Revenue Support grant which was announced on 13th December were also provided in the January 11th report to Cabinet. Detailed figures were only released for the next two years and over this period cash grants to the Council will be reduced by around £19 million with £13.6 million (over half the total expected reduction over the 4 year CSR period) falling in the next year. This will be mitigated by a grant of around £1.4m if the Council agrees a zero tax rise next year. A major review of the local government finance system is expected to be undertaken in 2011/12 which is why detailed grant figures have only been made available for two years. Projections for 2013/14 and 2014/15 therefore have a high degree of uncertainty.

The grant reductions for next year have been exacerbated by the continued use of so-called "damping". This means money that should, through the funding formula, come to people in Telford and Wrekin is once again being used to limit the impact of grant reductions in other parts of the country. In total around £4.3m of grants that the Government have calculated should be paid to this Council is actually being withheld next year.

The reduction in Formula Grant next year is £8.8m rising to £14.4m in 2012/13. In addition to the loss of Formula Grant, the Council also lost £4.8m of other grants. The main components of this were "non front line schools grants" totalling £2.4m which have been deleted. This funding, part of Area

Based Grant, was previously used by the Council to support schools. The other main grant loss was on the Early Intervention grant where the Council's grant entitlement has been reduced by around £0.6m but after a damping adjustment has been applied, the Council will actually see a total reduction next year of around £1.7m. (This additional £1.1m grant damping is included in the figure of £4.3m quoted above).

4.2 UPDATED POSITION

Since the launch of the Cabinet's service and financial planning strategy for 2011/12 – 2013/14 at Cabinet on 11th January 2011, extensive public consultation has been undertaken on the service and financial planning proposals. The results from the consultation are summarised in Appendix 6. Following comments received during the consultation process a number of changes are proposed to the package of savings proposals. These are detailed in section 4.5 of the report.

The seven Scrutiny Committees have reviewed the proposals at meetings held during January. The Council's Constitution states that any alternative budget proposals from Opposition groups have to be considered by scrutiny but no alternative proposals have been put forward for consideration.

The 11th January Cabinet report highlighted that information relating to some grants had not yet been made available by the Government. This information has still not been released so the assumptions used in January have not been revised. The final Formula Grant details were announced on 31st January 2011 and saw an increased allocation of £0.002m for 2011/12.

As part of a national initiative, the Council has also received more information around the transfer of NHS funding via the PCT to support a programme of reablement and rehabilitation helping people regain independence and thus reducing the need for ongoing care. It will also be targeted at a more general range of initiatives to relieve pressures on the acute hospitals particularly over the winter periods of peak demand. In 2010/11 two investment allocations have been announced...an allocation of £220k before Christmas and a further allocation of £523k in January. Along with a top up investment from the PCT to kick start the investment programme to relieve future pressures, a total of £1.243m will be transferred to the Council via a Section 256 agreement (NHS Act 2006-Partnership Arrangements). This is flagged in the financial monitoring report and will require sanction by full council to adjust the 2010/11 budget framework accordingly. A further sum of £2.10m has also been announced for 2011/12 and £2.033m for 2012/13 to be transferred to the Council in the same way for the ongoing programme. This will be supplemented by reablement monies of £428k in 2011/12 (2012/13 awaited) but the use of this and degree of transfer to the Council will require further discussions with the PCT as the NHS's intentions become clearer. A further report will be brought to PCT Board and Cabinet on 8th March but at this point what is being requested is incorporation of the £2.1m in the overall budget framework for 2011/12.

The key assumptions used in preparing the January 11th report have been reviewed but no changes made. These assumptions are detailed in Appendix 5.

4.3 SERVICE & FINANCIAL PLANNING CONTEXT

4.3.1 National Policy

Since the formation of the new Coalition Government, there has been a significant shift in policy in many areas. New policy announcements are being made on a regular basis, so a key challenge is to respond to this rapidly changing national policy framework.

There is a particular emphasis on the Big Society and the transfer of power to local people and organisations. This includes communities having a greater say over decisions and giving local people, social enterprises, voluntary groups and charities more opportunities to take over the running of local public services.

The Government has also published the Localism Bill and a number of key White Papers covering the NHS, public health and schools. These set out a number of proposals that will impact upon the Council and its partners which were summarised in the 11th January report.

4.3.2 Local Context

In March 2010, the Council approved a 3-year Service & Financial Planning Strategy, which set out the principles that guide the development of our budget and our investment and savings programme. Areas where significant additional investments have been made include:

- Regeneration of Borough Towns and Telford Town Centre;
- Adult and children's social care services;
- Sports & Learning Communities;
- Parks and play areas;
- Maintaining roads, pavements and street lights.

As well as national policy developments the Council has to consider many factors when developing its Service & Financial Planning strategy including:-

- Financial and economic pressures;
- Service pressures;
- Community Priorities and
- Views of local people;

A detailed Equalities Impact Assessment must also be undertaken on the final proposals to ensure that impacts of the strategy are carefully considered prior to final decisions being taken. This is included as Appendix 8 to this report.

4.3.3 Financial & Economic Pressures

The difficult economic situation continues to have a significant impact on the community and on the demand for some Council services e.g. an 18% increase in Housing and Council Tax benefit claims over the last 2 years. The Council has a key role to play in mitigating the effects of the economic downturn and planning for recovery, for example by continuing to support more new homes being built.

In recent years, we have focused on securing long-term economic prosperity. The continued development of the Town Centre and regeneration of the Borough Towns are essential elements of our future budget strategy. It is important that we continue to show confidence, leadership and investment in the future of the area despite the financial challenges that face us.

4.3.4 Service Pressures

Whilst a number of services are experiencing increasing demand, there are particular pressures on social care services for children and adults.

- Children's Social Care – in line with national trends, we are continuing to receive an increasing number of child protection referrals, leading to higher numbers of Children in Care. There has also been a significant increase in children remaining in care for longer periods;
- Adult Social Care - we have also been experiencing increasing demand for our Adult Social Care Services as a result of increasing numbers and life expectancy of older people and increasing complexity of care plus withdrawal of PCT funding for some Continuing Healthcare Cases (CHCs)

4.3.5 Community Priorities

In developing the budget, our aim is to align resources with priorities. Our starting point is the vision for Telford & Wrekin of:

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

This vision is supported by a clear set of priorities for action – our community priorities. These are:-

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

The strategy set out in this report reflects our priorities framework.

4.3.6 Views of Local People

The strategy has also been informed by a wide-ranging engagement programme with the local community. This started in December 2009 and continued throughout 2010. Details of the results from this initial phase of engagement activity were included in the January 11th report to Cabinet. During January extensive consultation took place on the draft service and financial planning proposals considered by Cabinet on 11th January. Key points from the consultation responses are highlighted below with further details included in Appendix 6 (b).

4.4 CONSULTATION FEEDBACK

As in previous years, consulting and engaging with the community on our future plans has been a key part of the Budget process. Engagement has been ongoing throughout 2010 and has included a targeted programme of consultation on draft budget proposals in January 2011, which has focused on:

- Overall views on the Budget Strategy and the way we run things;
- Budget principles;
- Spending plans;
- Savings proposals;
- Council Tax.

Our consultation programme (January 2011) has included:

- A postal survey of the Community Panel (547 responses);
- 'Your Money, Your Views' consultation document (112 responses);
- Engagement events across the Borough (146 participants);
- Meetings with 11 external and internal stakeholder groups.

We also carried out two further follow-up pieces of consultation; with traders in Ironbridge re: proposed car parking charge increases and with regular users of the Twister service re: proposed withdrawal of this service.

Appendix 6 sets out further details of the feedback we have received to date. Appendix 6(a) sets out the formal response of Scrutiny Committees.

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

a) Overall Views

Looking at overall views, 75% of Community Panel respondents agree that the Council's Budget Strategy will benefit the local community (5% disagree) and 85% of people who attended consultation meetings supported the budget proposals overall (7% opposed).

In addition, 83% of Community Panel members were satisfied with the way the Council is running things (8% were dissatisfied), whilst 75% agreed that the Council provides good value for money (8% disagreed).

b) Budget Principles

There is substantial support (95%) amongst the Community Panel for the set of budget principles set out in this report.

c) Spending Plans

As part of 'Your Money, Your Views', we asked people how strongly they supported or opposed our spending plans overall. Just over three-quarters (76%) of respondents supported our spending plans overall (15% opposed).

The Community Panel were asked a series of more detailed questions about our spending plans:

- **Investment in Children's Social Care Services**

A high percentage of the Panel (84%) supported the proposal for additional investment in Children's Social Care (5% opposed).

- **Long-term Investments (Regeneration, Housing & Prosperity)**

Similarly, 83% of the Panel supported the proposed package of long-term investments (7% opposed), which included improving Borough Town Centres, transforming Telford Town Centre and Town Park, providing extra care housing, supporting homes being built, creating Sports & Learning Communities and building a waste bulking station.

17 people felt that all investments should wait until the economy picks up and a further 4 stated that investments should have a lower priority than maintaining day to day services.

- **Shorter-term Investments (Quality of Life)**

There is almost universal support for capital investment in maintenance of roads and pavements, with 98% of the Community Panel supporting this proposal (1% opposing).

89% also supported investment in supporting vulnerable people to stay in their own home (3% opposed).

- **Missing Priorities**

Overall, there appears to be a high level of agreement with and support for the Council's spending plans and priorities. However, a number of responses have been received highlighting areas that people feel are missing from our plans. The three areas most frequently raised were:

- Street cleaning/litter picking (14);
- Regeneration of other areas of Telford (10);

- Environmental Health (4).

d) Savings Proposals

As part of 'Your Money, Your Views', we asked people how strongly they supported or opposed our savings proposals overall. 72% of respondents supported our spending plans overall (9% opposed).

More detailed consultation focused on those savings that could potentially have the most impact on the public (fees and charges and reductions/changes to services).

- **Fees & Charges**

The two proposals with the highest level of agreement amongst the Community Panel were increasing licence fees (84%) and increasing charges and admissions for leisure and culture services (78%); these were also generally well supported at consultation meetings and by people who responded to 'Your Money, Your Views'. For the latter proposal, some people did raise a concern that price increases could discourage people from using these services.

The option of introducing a charge for Flex cards emerged through the consultation process (this was not part of the original budget strategy and was therefore not included in the Community Panel survey). This option was also generally well supported at consultation meetings and by people who responded to 'Your Money, Your Views'.

The majority of Community Panel respondents (60%) agreed with the proposal to increase car parking charges (29% disagreed). In response to a request from the Community Focused, Efficient Council Scrutiny Committee, additional consultation was carried out with local traders in Ironbridge. Of the 20 traders who commented on the proposals as part of this consultation, only 3 disagreed, whilst 6 traders commented that charges are currently seen as being cheap. The Gorge Parish Council queried whether the proposed increases could lead to more on-street parking in residential streets.

The two least well-supported proposals overall appear to be introducing a charge for new and replacement bins and increasing charges for low-level help with shopping and cleaning. The proposal to increase cemetery burial charges appears to be a sensitive issue for some Community Panel respondents (52% agree, 26% disagree); in contrast people who discussed the issue at consultation meetings had relatively few concerns.

- **Reductions/Changes to Services**

The proposals with the highest levels of agreement amongst the Community Panel were switching off street lights at night (92%), reducing shrub bed maintenance (87%) and reducing the frequency of grass-cutting (85%); these

were also well supported at consultation meetings and by people who responded to 'Your Money, Your Views'.

There was almost universal support for introducing an opt-in scheme for non-mandatory milk provision at engagement events (96%) and consultation meetings; this proposal was also the most supported by people who responded to 'Your Money, Your Views'.

Whilst 83% of the Community Panel agreed with the proposal to revise Wrekin Connect and withdraw the Twister service, some people who took part in engagement events expressed concerns about the impact of this proposal on vulnerable people living in rural areas, suggesting that the Council should engage directly with the users of this service. In response to this, regular users were contacted to discuss the proposal in more detail (14 people took part). Of these 14 people, 9 people also used a car, either as a driver or passenger. In addition, 13 were concessionary travel pass holders.

Approximately three-quarters of the Panel and the people who took part in engagement events agreed or supported the proposals to reduce road-sweeping and revert to the national concessionary travel scheme. However, the concessionary travel proposal was one of the least well-supported proposals amongst people who responded to 'Your Money, Your Views'. Issues raised included concerns about not being able to travel free of charge to hospital appointments and impact on people living in rural areas where bus services are less frequent.

The two least well supported proposals overall appear to be reducing maintenance of roads and pavements and withdrawal of the free pest control service (both with less than 40% agreement and 50%+ disagreement amongst the Community Panel).

- **Alternative savings proposals**

Looking at overall responses to the Community Panel, 'Your Money, Your Views' and engagement events there appears to be a high level of agreement with and support for the majority of the Council's savings proposals. However, a number of responses have been received highlighting areas that people feel we should stop doing or do less of. The three areas most frequently raised were:

- Combination of other street lighting savings – switch off during the day, switch off every other light, use low energy bulbs/solar night (26)
- Greater use of volunteers/community payback (16)
- Switch off traffic lights at night (11)

e) **Council Tax**

Amongst the Panel, 91% of respondents supported the proposed Council Tax freeze. For 'Your Money, Your Views', the figure is slightly lower (84%).

Of the people who opposed the proposal (5% - Panel, 8% - Your Money, Your Views'), the main reason appears to be that people would prefer a small increase to secure services and reduce the need for cuts. Only 2 people said that Council Tax should be reduced.

4.5 RESPONSE TO CONSULTATION RESULTS.

Cabinet Members are grateful to the 900 people that took part in this extensive consultation exercise and propose the following changes to the proposals in response to the comments made:-

Removal of the concessionary travel 9.00 a.m. to 9.30 a.m. "top-up" to the national scheme – During consultation it became apparent that this proposal could potentially have a more severe impact in the more remote parts of the Borough where bus services are particularly limited and for example the only bus in the morning is between 9.00 a.m. and 9.30 a.m. It has therefore been agreed to confirm with Arriva the option of offering bus passes activated from 9.00 a.m. in these parts of the Borough.

Remove pest control – there was a strong sense that people would prefer the Council to continue to provide a service but charge for it rather than stop the service altogether. It is therefore proposed to keep the service but charge at £40 including VAT to recover the majority of the cost and generate an expected £42k saving compared to the original projected £50k saving.

Reduce revenue spending on roads, footway and kerb maintenance by 7%. This proposal did not achieve much support and will be deleted.

Leisure and culture increased income – as well as making changes to some charges we also consulted on potentially charging for flex cards. This was seen as a reasonable proposal and will generate sufficient additional income to offset the deletion of the roads, footway and kerb maintenance proposal.

Social care charges for low level preventative services - there were mixed views on this proposal with some people feeling that the increase should be lower and some that it should be higher. At the proposed level of charge the Council will still be subsidising the service and the additional income generated will be re-invested in meeting pressures for services within Adult Social Care so it proposed to proceed with the increase.

Parking Charges – There was some confusion about which car parks were affected by the proposal. The Council only make charges for one small car park in the town centre in addition to the Ironbridge car parks. Specific consultation also took place with traders in Ironbridge on the proposal.

Charging for the delivery of new and additional grey bins – the consultation results suggest that there is general acceptance of the need for this, but not for charges for green bins as this could impact on recycling rates or for the delivery of replacement stolen or vandalised bins or for those damaged by Council contractors. It is therefore proposed that the delivery charge will only

be applied for new and additional grey bins with no charge being applied for delivery of green bins or other receptacles to help further promote recycling. The impact on the savings proposal is likely to be a reduction of around £10k. compared to the original proposal.

The combined effect of these changes is to reduce the value of the overall savings package by £20k in 2011/12 which will result in additional use of balances of this amount.

4.6 FINANCIAL POSITION

4.6.1 2010/11 Budget Strategy

The current year's budget was based on funding from the final year of a 3 year Government grant settlement which was announced in December 2007 and covered the period 2008/09 - 2010/11.

The Council received a good grant settlement but even in 2010/11 lost 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 2010/11 strategy including

- A significant revenue and capital investment package,
- A strategy of additional savings with a detailed package totalling £4.726m pa with a further £0.5m in Education services for 2010/11
- Use of £0.98m balances in 2010/11
- A 2009/10 Council Tax increase of 1.9%

4.6.2 2011/12- 2013/14 - Medium Term Planning Context

Following the Comprehensive Spending Review, the public sector faces a period of unprecedented financial constraint which brings significant challenges at a time when demand for many local government services is increasing. Projections of funding available for the Council beyond 2012/13 are difficult given the planned major review of the overall local government finance system. However, it is likely that the Council faces a prolonged period of significant pressure on resources despite the recession putting greater demands on the Council's budget including:

- increased demand for benefits and welfare services, homelessness services and social care
- the prolonged historically low base rate of 0.5% impacts on investment returns (although reduces the cost of short-term borrowing)
- the downturn in the housing market, with fewer houses being built, affects planning and building control fees
- Income from the Property Investment Portfolio has also reduced

The Council faces many other challenges including pressure on Childrens and Families budgets which has been consistently reported through financial monitoring reports in recent years and the impact of an ageing population.

However, despite these uncertainties, the Council must now conclude its service and financial planning process and roll the three year strategy forward.

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 (£129 lower than the Midlands average at Band D in 2010/11). It is also significantly below the national average for other unitary authorities (£115 lower than the unitary average at Band D in 2010/11) which brings challenges in balancing the priorities for supporting pressurised existing services such as Children's and Adults social services, alongside the 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

As reported to Council in March 2010 when the service and financial planning strategy for 2010/11 was agreed, the investment programme is now dependent on around £80m of capital receipts yet to be realised. The Council has an agreed schedule of asset disposals to address this and this schedule is regularly monitored and all the revenue consequences of temporary financing pending these scheduled disposals are built in to the Council's base budget projections contained in this report. This is however a considerable exposure and represents a key risk. This dependency will therefore continue to be subject to close monitoring. If any delay is experienced in generating expected receipts, mitigation factors could include a combination of re-phasing some schemes, identification of other assets for disposal or additional borrowing on a temporary or long term basis.

A summary of the 2011/12 base budget is attached at Appendix 1 while Appendix 2 shows year on year movements from the 2010/11 budget.

4.7 OUR STRATEGY

4.7.1 Budget Guiding Principles

The strategy put forward for approval is based on the guiding principles of:

- Spreading our reducing resources fairly and openly across the Borough, whilst taking account of the needs of different areas;
- Developing spending plans that are based on the community's needs and priorities;
- Doing our best to make efficiencies and savings to restrict the level of cuts to services as far as possible;

- Keeping the level of Council Tax as low as possible to ease the financial burden on local tax-payers whilst protecting front line services;
- Keeping the use of Council reserves to a minimum and use only when we need to;
- Setting aside some additional money to deal with any unforeseen circumstances caused by the current economic situation;
- Selling some of the Council's poorer performing land and property to fund community priorities (if it is practical and prudent to do so);
- Setting our fees and charges at realistic but fair levels, ensuring that appropriate concessions are in place for those that need them.

4.7.2 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 in the sections below, however, in summary they are:

- Given the high levels of support for freezing Council tax in 2011/12 at 2010/11 levels which is made possible by the Government grant equivalent to a 2.5%. It is proposed not to increase council tax in 2011/12.
- In order to offset grant losses of £13.6m in 2011/12 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 £13.7m (including education) in 2011/12. Savings targets for future years are also set out in this report.
- To address the greatest service pressures our limited revenue investments focus on extra funding for Looked After Children of £1.4m and the re-investment of savings of £1.6m back in to social care services for Adults.
- Our capital investment programme focus continues to be 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. Limited new capital investments are included; details of the planned capital investment programme are included in the Capital Programme report later on this agenda. This also includes details of changes to the BSF-SLC programme as a result of the reduction in Government Grant (£41m) and "indexation changes" (£43m) which reflect reductions in projected costs following significant reductions in construction indices since the Outline Business Case was approved.

4.7.3 Savings

Over the last four years, savings of around £17m have already been made.

Over the period covered by this medium term financial strategy the Council is looking to identify savings proposals of 20% across its budget. The 20%

target figure is being used as a guide and obviously indicates the need for substantial service redesign rather than just incremental efficiency measures but actual reductions may vary with delivery of some services ceasing and others facing a much smaller reduction. As far as possible cuts to front line services will be minimised by continuing to seek to make efficiency savings. However, difficult choices will need to be made and cuts to services will be unavoidable given the scale of the financial challenge facing the Council. A schedule showing the targets and phasing for reductions of 20% to staffing and non staffing budgets is attached as Appendix 3. These savings targets are over and above a principle that has been adopted that no allowance has been made for general inflation or pay awards throughout the medium term period covered by this strategy forcing further savings where these cost pressures arise over and above the 20% savings target. (Some allowance has however been made for contractual inflation). Appendix 3 summarises non-staffing and staffing savings by Service Delivery Unit and by year.

Appendix 4 details specific proposals for savings on non-staffing budgets with a number of further proposals giving a one-off benefit in 2011/12 detailed on the first summary page of the Appendix. The proposals in Appendix 4 total £10.4m before allowing for savings where the benefit “leaks” away from the main General Fund budget e.g. through to capital account, the education budget or a partner organisation. £1.6m of the gross savings come from the Adult Social Care budget but it is proposed that all savings from this area are reinvested back in to Adult Social Care. This leaves a net figure of £8.1m expected to be available to support the General Fund budget from the proposals detailed in Appendix 4 in 2011/12.

In addition, the Council’s staff restructure programme which is aligned with the service review programme is expected to generate savings of £5.1m (after “leakage”) next year including £1.3m assumed from the Voluntary Redundancy scheme and holding posts vacant as natural wastage occurs in advance of restructures as detailed in Appendix 3.

To identify savings and efficiencies, we have been carrying out a rolling programme of restructuring and service reviews. This comprehensive programme started with transport services and a major review of childrens’ and adults’ services is currently in progress with an initial progress report due to be considered by Cabinet shortly. Our approach has been based on the principle of ‘keeping cuts to front line services as a last resort’. Therefore we have considered the savings options suggested through consultation and have wherever possible focused on things that will have minimal impact on services delivered to the public, such as:

- Reducing the number of senior managers (the cost of senior management has been halved over the last 2 years saving £1.75m pa)
- Spending less on computers, telephones, equipment etc;
- Renegotiating contracts;
- Cutting down the number of buildings we use and reducing repair and maintenance.

We have also looked at our fees and charges, as this was another area highlighted through the initial phase of public consultation. Our savings package includes a number of proposals relating to fees and charges. We have focused on services where charges have not increased for a number of years or where our charges are significantly lower than other councils.

Finally, given the scale of the challenge facing us, we have had no option but to consider making some savings to services. We have focused on 'scaling back' services rather than stopping them altogether, carefully weighing up the impact on local people and taking into account the results of consultation. Details of the savings proposals for 2011/12 are included in Appendix 4.

The Council has built up a significant reserve since 2007/08 towards the costs of single status. There remains a considerable amount of work to be done before actual implementation which will not be until the start of the 2014/15 financial year. The position is regularly monitored and if it is considered that additional funds need to be allocated then these can be built into the budget for 2012/13. Not making additional provision during 2011/12 will generate a benefit of around £2.8m on the General Fund and a further benefit of around £0.2m on the Dedicated Schools Grant funded budget. The ongoing provision for the single status settlement is however still provided for in future years.

As reflected in 2010/11 financial monitoring reports, considerable work has already been undertaken in the current financial year pulling the implementation of savings proposals forward and implementing restructures early. It is recommended that £1.435m (£0.577m from non-staff budgets and £0.858m from staffing budgets) of savings generated in 2010/11 should be earmarked for use on a one-off basis to support the budget in 2010/11. In addition, work has been undertaken to challenge VAT payments from the early 1990s due to an error in the VAT legislation. A number of claims for VAT refunds have been made and in total around £1.7m is projected to be available. It is recommended that this should also be earmarked to support the 2011/12 budget on a one-off basis.

A review of other one-off benefits that are available has been undertaken in order to offset the front loading of the grant reductions and to allow the savings from restructures and the service reviews to feed through. It has been possible to identify a surplus on the collection fund account, surplus dividends from the Council's investment in West Mercia Supplies and an over-provision for bad debts. In total these will generate around £2.2m to help balance the budget for 2011/12 and avoid the use of General Fund balances.

Work is underway to identify what scope is available to help partially offset rising Adult Care & Support pressures from the PCT funding of £2.1m to be allocated for joint use by the Council and NHS Telford & Wrekin (PCT) in 2011/12 under the national initiative.....particularly where the pressures arise from PCT funding changes for CHC cases. An overall programme for the £2.1m and accompanying re-ablement funding of £0.43m is currently being developed jointly with the PCT and more detail on this is covered earlier in the report in paragraph 4.2.

As the programme of service reviews and accompanying staff restructures progresses as planned during the next 12 months, additional savings proposals will come forward for further consultation and impact evaluation. Given the tight financial position faced this will become more of a rolling budget process than previously to allow ample consultation time and input from the community on alternative service savings proposals.

4.7.4 Base Budget, Council Tax and Balances

A summary of the Base Budget position is included at Appendix 2 which shows a net base budget of £131.106m for 2011/12 giving a base budget funding gap of £4.97m before the grant reductions.

The medium term financial strategy put forward recommends that the Council does not increase Council Tax for 2011/12. This continues the recent policy of seeking to reduce the year on year rate of council tax increase. It will also enable the Council to benefit from the grant of £1.4m, equivalent to a 2.5% council tax increase offered by the Government which will be forgone for the next 4 years if the Council sets any level of increase.

Council Tax in Telford & Wrekin in 2010/11 is again the lowest in the Midlands region for the services this Council provides (£129 lower than the Midlands average at Band D in 2010/11). It is also significantly below the national average for other unitary authorities (£115 lower than the unitary authority average at Band D in 2010/11). With no increase proposed, we do not envisage any significant change in this position. A chart comparing the level of Council Tax for services provided by this authority to that charged in other parts of the Midlands is attached as Appendix 7.

Appendix 5 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 £4.2m available as part of medium term budget strategy considerations after setting £1.1m aside to supplement the base budget contingency of £1.6m on a one-off basis in 2011/12 and the transfer of the remaining £0.8m revenue Invest to Save funds to the redundancy costs provision recommended in this report. The impact of this will be partially offset by the recommended creation of a capital Invest to Save budget of £0.5m as recommended in the Capital Programme report on this agenda. The considerable uncertainties faced next year will need to be allowed for in any strategy and an adequate contingency is therefore required. A contingency at this level will help us deal with unexpected variations or some delay in implementing savings proposals. As previously explained, no allowance has been made for any inflation or pay awards over the period of this strategy apart from an amount which 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.

4.8 DEDICATED SCHOOLS GRANT BUDGET

As part of the Local Government settlement The Department for Education (DfE) has announced a Dedicated Schools Grant (DSG) one year budget settlement for schools including the mainstreaming of relevant grants into the DSG. Approximately 90% of the base 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. All of the DSG relating to the mainstreamed grants previously delegated to schools will be delegated in 2011/12.

The DSG amount is based on a guaranteed unit of funding per pupil (GUF). The proposed 2011/12 allocation is based on the same GUF as that of 2010/11 increasing only by the amount of per pupil mainstreamed grant received. For Telford and Wrekin the 2011/12 GUF is £4,854 comprised of the existing 2010/11 figure of £4,219 plus £635 per pupil grant.

In addition a new Pupil Premium has been introduced for deprived pupils. This is a flat rate of £430 per deprived pupil applicable nationally and will be paid to Local Authorities as a specific grant and passported to schools. The national allocation of this premium is £625m in 2011/12 rising to £2.5bn by 2014/15. The amount received by Local Authorities will be driven by the January pupil census and current eligibility for free school meals although there are aims to extend the coverage of this premium to pupils formerly eligible for free school meals in 2012/13 onwards. T&W current estimates indicate a total grant of approximately £1.9m for Pupil Premium but this is an early estimate and January census data will be required to provide a more accurate forecast.

In line with previous years, the DfE also sets a per pupil minimum funding guarantee. However, unlike previous years, the guarantee is set at a negative level, to ensure no school has a cut in its budget of more than 1.5% per pupil before any Pupil Premium is applied.

The impact of the minimum funding guarantee and the additional Pupil Premium will have varying effects on our schools depending on the number of deprived pupils on roll. Some schools with minimum levels of deprived pupils will experience real cuts to their funding, some will stand still at 2010/11 levels and some with high numbers will attract additional funding.

Schools will be held accountable by the Government for how they use the allocated premium by setting new measures within the performance tables and requiring schools to publish on line how they have used the premium. However, the pupil premium will not be ring fenced at school level.

The Government has also introduced the operation of a cash floor at local authority level to ensure the protection of Councils with falling pupil numbers. For 2011/12 this has been set at the level of minus 2%. Whilst T&W on latest estimates, anticipate a fall in pupil numbers, particularly within the secondary sector, we do not anticipate the level of reduction triggering the operation of the cash floor mechanism.

The Government plans to undertake a full review of the schools funding system for future years as outlined within the White Paper "The Importance of Teaching" and as a result have issued only a one year settlement compared to the two year allocation published for Local Authorities. This will limit the ability of authorities to plan ahead due to the uncertainty of funding for the following year.

Since 2009/10, Telford and Wrekin schools have experienced a cumulative reduction of over £2million in DSG funding due to falling pupil numbers. This has had a significant impact on funding for a number of our schools with falling rolls. The precise funding loss in 2011/12 will only be available once the January 2011 census has taken place and changes in the methodology of the pupil counts have been incorporated. However, it is clear that some secondary schools, in particular, will once again experience significant reductions in funding due to lower pupil numbers.

The settlement received is much tighter than previous years and some of our schools will face difficult decisions to balance their budgets.

Indicative budgets have been sent to schools and the consultation process with the Schools Forum and schools generally is under way. Schools are aware that the Schools Budget is a one year settlement only with consultation on the introduction of a national funding formula to take place in the summer and that the introduction of the pupil premium will lead to a redistribution of funds between schools.

In this context, the Schools Forum considered that stability of formula funding should be a priority and so the current position is to replicate the existing funding formula, within the constraints of available funding. However, they also recognised that the mainstreaming of grants gives some potential flexibility to begin to address anomalies arising from the distribution of these grants. They therefore wished the LA to examine the funding of schools and produce proposals for further consultation to enable a decision on whether some limited redistribution of funds would lead to a fairer outcome.

A number of grant streams associated with the provision of school support services were either cut or reduced within the settlement and the impact of these cuts is currently being considered. Solutions to mitigate this loss of funding will be considered as part of the ongoing Children's services review as well as through discussions with schools about the continuation of some services via traded service agreements.

The Education Budget Strategy considers only those areas of expenditure funded by the Dedicated Schools Grant. This grant also funds expenditure on the various central education services. Current budget projections for 2011/12 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 numbers on central budgets (loss of DSG funding)

Impact of Academies (loss of DSG funding)

The Council's overall process to identify and deliver savings of 20% as part of the Council's Budget strategy incorporates the DSG budgets. The work being undertaken within the current service review to deliver these savings will also consider the need to address the impact of these pressures.

The latest view of the 2011/12 DSG budget position is as follows:-

Dedicated Schools Grant Budget Overview 2011/12

	11/12 £m
Total DSG (subject to January pupil census and adjustments for Academies to be finalised. Final DSG figures will be available in June)	113.684
Delegated to Schools	102.995
Central Expenditure (including Early Years Education provision)	10.689
Pressures on Central Expenditure	0.500
Savings to be Delivered via Service Reviews	-0.500

5. OVERALL STRATEGY

Following consideration of the responses to the extensive consultation process, the key components of the proposed Service & Financial Planning strategy for 2011/12 are to:-

- Freeze council tax at 2010/11 levels,
- Make a new investment of £1.4m in services for Looked After Children to protect them from neglect and abuse,
- Continue the organisational restructure programme and aim to generate a saving to General Fund budgets of £5.1m (detailed in Appendix 3),
- Implement the package of savings from non-employee budgets totalling £8.1m detailed in Appendix 4 after re-investing savings from Adult Social Care of £1.6m back in to this service area,
- Continue with the planned programme of capital investments detailed in the January 11th Cabinet report and the Capital Programme report on this agenda,
- Use £1.42m of a projected £4.2m of available general balances,

The summary below reflects these proposals and details the projected budget gap for future years although, as previously stated projections beyond 2012/13 must be treated with caution as we only have detailed grant

allocations for 2011/12 and 2012/13 pending a major review of the local government finance system.

Projected Budget Gap	11/12 £m	12/13 £m	13/14 £m	14/15 £m
Base Budget gap See Appendix 2	5.0	10.2	12.8	13.7
Formula grant loss - excludes council tax increase grant for 2011/12	8.8	14.4		
Other grant losses	4.8	4.5		
Total assumed grant loss (per CLG DEL announced in CSR)			19.2	23.7
Investment in Looked After Children Placements	1.4	1.4	1.4	1.4
Sub total	20.0	30.5	33.4	38.8
Savings proposals including additional income – see Appendix 4 (after estimated leakage and net of social care investment of £1.6m)	-8.1	-12.6	-15.5	-15.5
Savings from staff restructure (after estimated leakage)	-5.1	-13.1	-14.4	-14.4
Total Projected Budget Shortfall before use of balances and Council Tax increases	6.8	4.8	3.5	8.9
Usage of Specific One Offs <ul style="list-style-type: none"> • Suspend contribution to single status provision on one-off basis • Council tax surplus 	(2.8)			
	(1.2)	(0.3)	(0.3)	(0.3)
Restated shortfall before use of general balances and council tax increases	2.8	4.5	3.2	8.6
Council Tax grant = 2.5% increase for 2011/12	(1.4)	(1.4)	(1.4)	(1.4)
Remaining gap – to be found from use of balances, further savings or council tax increases	1.4	3.1	1.8	7.2

6. 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 the 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 set out above to be appropriate. 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. Appendix 5 amplifies this statement.

7. BACKGROUND PAPERS

- Comprehensive Spending Review Announcements – Treasury Website
- Revenue Support Grant Settlement Announcement – CLG Website
- Service & Financial Planning Report to Cabinet – 8th December 2010
- Service & Financial Planning Report to Cabinet – 11th January 2011

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