

**TELFORD & WREKIN COUNCIL**

**CABINET – 23 FEBRUARY 2012  
COUNCIL – 1 MARCH 2012**

**SERVICE AND FINANCIAL PLANNING 2012/13 TO 2014/15 OVERVIEW  
AND REVENUE BUDGET**

**REPORT OF THE MANAGING DIRECTOR, THE CHIEF FINANCIAL  
OFFICER AND THE ASSISTANT DIRECTOR: FINANCE, AUDIT &  
INFORMATION GOVERNANCE.**

**PART A) – SUMMARY REPORT**

**1. SUMMARY OF MAIN PROPOSALS**

This report seeks approval of the Service & Financial Planning strategy for the three year period 2012/13 to 2014/15 with specific budget proposals for 2012/13 and savings proposals and capital investment plans for all three years. This report, along with other reports on this agenda covering:-

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

forms the Council's overall Medium Term Service & Financial Planning framework and proposes the service priorities and budget for 2012/13 as well as savings proposals that will be delivered over the next three years and a medium term capital programme.

**Pressures Facing the Council:-**

The current financial position facing the Council is the most challenging ever. Some of the challenges we face include:-

- Projected grant cuts of £27m (or around £40m in real terms) over the period of the current Parliament.
- The withholding of almost £2m grant that the Government calculate should come to this area but which is paid to other parts of the country through the grant "damping" mechanism.
- A shortfall in grant of up to £2.8m due to the methodology used by ONS to estimate population between annual censuses.
- Reduced income from having a comparatively low council tax. If the Council had the same level of council tax as the average in the Midlands, an additional £6.5m pa would be generated.
- Pressures caused by an ageing population with increasing numbers of older people needing adult care services.

- Increasing numbers of looked after children.
- Pressures caused by the recession which increases demand for some services e.g. payment of housing and council tax benefits but also reduces the Council's income e.g. income from planning applications and rents from the Council's property investment portfolio are affected by the economic downturn.
- Increased tax payments e.g. the landfill tax escalator.
- Considerable uncertainty over the medium term outlook given the Government's intention to make radical changes to the local government finance system from 1<sup>st</sup> April 2013 but for which no details are currently available except that the level of risk facing the Council in future is likely to be significantly greater.
- The considerable pressure caused by the use of over £9.2m of one-off resources in the budget for 2011/12 approved last year which delayed the need to make ongoing savings. This left very limited usable one-off resources available to the Council but was predicated on the delivery of the savings programme targets and reviews plus future council tax increases as the strategy report stated last year. *"This obviously introduces a higher level of risk into the financial strategy than usual and can only be supported by the presence of an existing planned programme of reviews which are already generating savings to replace this extensive reliance on one offs for 2011/12. As long as this programme of reviews delivers on time and target then the projected residual deficit in 2012/13 can be covered with a mix of council tax increase and a more routine use of one off sums "* The Council is projected to have just £3.7m of usable balances remaining at the start of 2012/13.

An additional pressure in the budget is the considerable part of the net general fund budget committed to the repayment of debt incurred in respect of past capital investment decisions. Repayment of debt for past spending decisions is a commitment that cannot be avoided and as grant cuts and other pressures reduce the resources available to the Council interest and principal repayments take up an increasing proportion of the resources available that could otherwise be used to deliver front line services.

<b>Projected Annual Cost of Borrowing</b>	<b>2012/13 £m</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>
• Interest repayments	4.767	4.985	3.250
• MRP (Principal) repayments	5.278	5.592	5.069
• Debt held by Shropshire Council on behalf of Telford & Wrekin	2.086	2.003	1.917
<b>Total</b>	<b>12.131</b>	<b>12.580</b>	<b>10.236</b>

The recent “mid-year” 100 day budget radically reviewed planned capital commitments and reduced or cancelled schemes where legally binding commitments had not been entered in to – including the building of new civic offices saving over £1.1m pa alone. In total, the ongoing revenue savings arising from the 100 day budget from reduced debt repayment costs totals almost £3m pa compared to previous plans.

Despite the pressures faced by the Council, we remain committed to the provision of free car parking. The Council provides 2,000 free car parking spaces across the Borough. The only car parks that the council charge for are one small (56 spaces) car park in the Town Centre and the public car parks in Ironbridge. Charges for these car parks remain lower than those in the large privately owned Town Centre car parks, lower than those in Shrewsbury town centre and lower than those in other world heritage site locations. Many councils are increasing car parking charges by significant amounts in order to generate additional income but we recognise that the introduction of parking charges in our free to use car parks would have a detrimental impact on residents and the local economy.

Action already taken:-

The Council has clearly been preparing for the financial challenges we face for some time. Action already taken includes:-

- Identification of ongoing revenue savings over the 5 years up to and including 2011/12 of over £28m
- Reducing the number of senior managers by 55% and cutting the pay of the most senior managers by up to 17% saving a total of over £2.1m pa
- Savings identified from “back office” functions of almost £6m or 33% over the period 2009/10 to 2012/13 – far more than has been achieved by most organisations that have gone down a shared services route and without incurring significant project costs or delays.
- The 100 day budget review which saved just under £3m pa on debt repayments compared to previous plans.
- Reductions in the cost of the special responsibility allowances paid to Cabinet Members.
- An ongoing organisation wide restructure programme which will see most staffing budgets across the Council cut by an average of 20%. This has largely been achieved through vacancy management, extensive redeployment (1,000 council staff have been redeployed since 1 April 2010) and over 350 voluntary redundancies with 14 compulsory redundancies to date during the process.
- Strict controls placed on the use of agency staff and consultants and external job advertisements.
- A detailed line by line analysis of budgets by Heads of Service and their teams cutting out spending where ever possible and identifying efficiencies with an emphasis on protecting front line services as far as possible.
- The most extensive consultation exercise ever undertaken by the Council to inform service priority and budget decisions.

- A detailed programme to rationalise operational buildings across the borough to realise both revenue savings and capital receipts.
- A strong focus on procurement which will deliver savings of in excess of £4m.
- Re-establishment of a revenue “Invest to Save Reserve” of £0.5m from current year underspends to fund money-saving initiatives with a significant payback to the Council.

#### Consultation Activity and Feedback:-

This year we have carried out extensive consultation activities. Between August 2011 and January 2012 we have consulted with and received feedback from approximately 7,442 contacts.

The draft strategy itself was informed by approximately 3,000 contacts. Since the draft strategy was approved by Cabinet on 22 December 2011 the Council undertook further extensive consultation. We tried to ensure that as many people as possible, across the Borough had the information and the opportunity to get involved and give their views. Consultation methods included:-

- A consultation pull out document ‘the budget challenge’ summarising the main budget proposals; distributed through “Your Voice” with the aim of informing every household in the Borough and giving every household the opportunity to give their views;
- A dedicated budget page on the Council’s website which gave people a range of opportunities to get involved and give their views on the budget strategy, including the draft priorities. Opportunities include use of Facebook, Twitter, and invitations to write in, ring in or text in views and comments;
- A full online budget survey and hard copies distributed in libraries and First Point receptions;
- A survey sent to all members of the Community Panel;
- Meetings with a range of forums and groups;
- A well attended open public meeting;
- Information outlining the budget consultation and how people can get involved distributed to a wide range of people including town and parish councils, the business community and the voluntary and community sector;
- Surveys distributed through a wide range of networks including Children’s Centres, Early Years Settings, FE Colleges, Faith Organisations, Medical Centres and resident groups.
- Formal consultation with the Council’s Budget & Finance Scrutiny Committee which includes an independent co-opted member of the public and councillors from both the controlling and main opposition groups.

Key results of the budget consultation include:-

- The most important guiding principle for people is that of ‘find better ways to run services and avoid wasting money’.

- 69% net of people agreed with our plans for Children and Family Services.
- 83% net of people agreed with our plans for Adult Services.
- 82% net of people agreed with our plans for Environmental Services.
- Investments – 13% net of people agreed with the new capital programme which includes improvements to Brookside and 82% net of people agreed with adult services proposals.
- Cuts most supported include Street Lighting Efficiency Programme, Increase independent travel and removal of concessions on golf for all groups.
- Cuts least supported include an annual increase in council owned car parks in Ironbridge and Telford Town Centre and the review of the number of routes gritted in ice and snow from next winter.
- All draft priorities received net agreement of 57% or over. Growing the local economy to create jobs was the priority with the highest net agreement.

(Net agreement is calculated as those agreeing with a question minus those disagreeing).

### Council Tax - Consultation Results

In total 2,287 people responded to the Council Tax question. Results show that:

37% of people (848 people) opted for Option 1 (“Accept the Government’s grant and freeze council tax next year. This one year grant is the same as a 2.5% rise in council tax. The Council says taking it will store up future problems, adding an extra £1.4million to the budget shortfall in 2012/13 and forcing even bigger rises in council tax or deeper cuts to services the following year. Change on your council tax Band B bill £0.00/week”)

37% of people (844 people) opted for Option 2 (“Decline the one off grant and increase council tax by 41p per week (2.5%) for the average property next year to avoid additional service cuts or a higher council tax rises in 2013/14. Change to council tax bill Band B 41pence/week”)

26% of people (595 people) opted for Option 3 (“Decline the one off grant and increase tax by 58p per week (3.5%) next year for the average property and then either remove some of the proposed service cuts or reduce the council tax rise in 2013/14. Change on your council tax Band B bill 58pence/week”).

**In total 63% (1,439 people) voted for either option 2 or option 3 i.e. some level of increase in council tax.**

Details of the results of the above consultations can be found in Appendix 11.

An equality impact analysis of the overall impact of the budget has been completed and is included in Appendix 12 along with economic and environmental impact assessments. The analysis will be reviewed and

monitored over the full period covered by this report to ensure no unidentified impacts occur and positive progress is maintained.

Only 5 of the savings proposals for 2012/13 received negative net satisfaction ratings (i.e. more people were against the proposal than those in favour) during the consultation exercise. These proposals and the cabinet's proposed response to them are detailed below:-

	Agree %	Disagree %	Net %	Saving 12/13 £'000	Saving 13/14 £'000	Saving 14/15 £'000
Revise charges for Resident Permit Scheme and Season Tickets in Ironbridge	33	38	-5	19	19	19
<p><i>Revised Proposal -</i></p> <ul style="list-style-type: none"> <li><i>To retain free parking permits for residents of Ironbridge and revise charges for residents visitor permits – from £15 to £25 and seasonal full permits from £35 to £55</i></li> <li><i>Free drop off and pick up parking for parents will be retained</i></li> <li><i>The administrative process for issuing permits will be reviewed.</i></li> </ul> <p><i>This will reduce the saving generated by £17.5k pa</i></p>						
Increasing charges from £8 to £12 per hour for low level support to vulnerable adults, who do not meet the eligibility threshold for community care support	36	43	-7	117	117	117
<p><i>Revised Proposal -</i></p> <ul style="list-style-type: none"> <li><i>To phase the charge in by increasing to £10 per hour with effect from 1st April 2012 and to £12 an hour (so that the service is no longer subsidised by council tax payers) with effect from 1st October 2012.</i></li> </ul> <p><i>This will reduce the saving by £29k in 2012/13</i></p>						
Reviewing the number of routes gritted in ice and snow from next winter	37	50	-13	50	100	150
<p><i>Revised proposal</i></p> <ul style="list-style-type: none"> <li><i>To retain the current primary and secondary winter maintenance routes and salting/gritting standards.</i></li> <li><i>To find operational efficiencies through greater use of new technology and highway thermal monitoring of £50k pa</i></li> </ul>						

*There will therefore be no net reduction in the saving for 2012/13 but a reduction of £100k ongoing by 2014/15.*

Increase parking changes annually by 10% in Council owned car park in Telford Town Centre	29	59	-30	4	8	8
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*No change is proposed on the basis that the Council only owns one small car park (56 spaces) within the Town Centre.*

*The charges for this small council owned car park during 2012/13 will be:-*

- Up to 1 hour = 80p (previously 70p)*
- Up to 2 hours = 1.40 (previously 1.30)*
- Up to 3 hours = 2.20 (previously 2.00)*
- Up to 4 hours = 2.80 (previously 2.50)*
- Over 4 hours = 3.40 (previously 3.10)*

*The Council currently provides 2,000 free parking spaces across the area and there are no plans to impose any charges on these spaces.*

Increase parking charges annually by 20% in Council owned car parks in Ironbridge	24	62	-38	16	32	32
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*Revised proposal*

*Charges will be increased as follows (20% rounded to the nearest 10p):-*

- 2012/13 Market Square Car Park (16 spaces)*
  - Up to 30 minutes = 50p (previously 40p)*
  - Up to 1 hour = 90p (previously 70p)*
- Other Ironbridge Car Parks*
  - Up to 2 hours = 90p (previously 70p)*
  - Up to 3 hours = 160p (previously 130p)*
  - Over 3 hours = 170p (previously 140p)*
- 2013/14 Market Square Car Park (16 spaces)*
  - Up to 30 minutes = 60p*
  - Up to 1 hour = 110p*
- Other Ironbridge Car Parks*
  - Up to 2 hours = 110p*
  - Up to 3 hours = 190p*
  - Over 3 hours = 200p*

*There will be a minor reduction in the saving which is currently being assessed.*

Two other savings proposals attracted strong comments. These were:-

“The introduction of a pavement licensing scheme with a £50 charge to the businesses concerned”. In response to consultation, it is not now proposed to introduce this scheme. This will reduce the savings totals by £2.5k pa by 2013/14, however the council will now work with Wellington Town Council, Shropshire Chamber of Commerce and traders to work up a system whereby shop traders, residents and all partners are happy with the look and feel of the high street.

“The closure of the Newport Community Recycling Centre (CRC)”. As part of the consultation process discussions have taken place with representatives of Newport Town Council to explain the financial basis behind the proposal and to establish whether they wanted to consider funding the operation of the CRC. The outcome of these discussions is that in the present financial climate both the Borough Council and Newport Town Council are not in a position to fund the facility and therefore the original proposal to close will stand. Full use of the Council’s Kerbside Service for dry recyclables and Green Waste will help mitigate the closure. From April, three CRC’s throughout the Borough will remain open on Friday, Saturday, Sunday and Monday and on Tuesday, Wednesday, and Thursday there will be one CRC available for Borough residents.

In total these changes have the effect of reducing the savings originally proposed as follows:-

2012/13 £'000	2013/14 £'000	2014/15 £'000
68	70	120

#### Grant Settlement and Future Prospects:-

Following the Comprehensive Spending Review (CSR) for the period 2011/12 – 2014/15 which was announced in October 2010 it was clear that the level of Government grant funding for local authorities would be cut significantly over the medium term. The extent of these reductions and their very considerable front-loading became clear when the provisional grant settlements for 2011/12 and 2012/13 were released in December 2010. Whilst the average reduction for Government Departments over the 4 year CSR period is 8.3%, the average reduction for local government over this period is 27%, more than three times as much. In real terms this Council is facing grant cuts of around £40m during the period covered by the CSR as the Government seeks to bring the national budget back in to balance following the impact of the international financial crisis and recession.

The provisional grant settlement for 2012/13 was announced on 13<sup>th</sup> December 2010 as part of a 2 year grant settlement and a revised provisional settlement was announced on 8<sup>th</sup> December 2011. This has now been confirmed although details of a small number of grants (which total around

£1m in 2011/12 are still awaited). Based on the information currently available, the Council faces an additional grant loss of £5.6m (7.9%) next year which is in line with the provisional announcement made in December 2010. This reduction is in addition to the grant reductions of £13.6m faced by the Council in 2011/12 and the £3m in-year grant reduction announced by the Government during 2010/11.

The Government are currently undertaking a major review of the local government finance system and have not, therefore, released any grant allocations for 2013/14 or 2014/15. Any financial projections for these years are therefore subject to a very significant level of uncertainty but it is very likely that the financial position faced by the Council from 2013/14 will have a higher level of risk than previously. The Council is likely to have to bear the risk of not being able to collect business rates and a greater proportion of the cost of increased Council Tax benefit payments both of which are largely covered by the Government under the current system and both of which could result in the Council's financial position being more significantly impacted by recessions or other adverse events affecting local businesses and other local employers in future.

The grant settlement for 2012/13 continues the use of a damping mechanism which will result in around £2m of grant that the Government calculate should come to the Council to support the needs of this area being withheld from the Council in order to reduce the impact of grant reductions in other parts of the country. (Damping is also applied to the Early Intervention grant resulting in a further loss to the area of an additional amount of grant of £1m.) The amount withheld from the Council through the damping mechanisms has reduced over recent years by around £1m pa but it is now highly likely that the move to a new national financing system for local government will see the level of grant damping in 2012/13 not being unwound any further and being perpetuated for many years to come. The new system is also unlikely to correct an estimated under-count of population in this area which costs around £2.8m pa.

In the Autumn Statement, the Chancellor indicated that prospects beyond the current CSR period are likely to follow current trends with further significant cuts to public spending likely. This means that the Council is likely to face further funding reductions in 2015/16 and 2016/17 and must plan now for continued financial constraints in the foreseeable future.

#### Council Tax:-

Telford & Wrekin Council has one of the lowest council tax levels in the country. We have the lowest council tax in the Midlands region for the services that this Council provides (£129 lower than the average at band D and £332 below the highest in the Midlands region) and we have the sixth lowest council tax out of all unitary authorities across the country. This low level of Council Tax means that the Council has a higher dependency on Government grants and cuts to these grants have a proportionally greater impact on Telford & Wrekin compared to many other councils.

In the current financial year there was no increase in council tax as the Council decided to take the council tax reduction grant paid by the Government for a 4 year period but which will cease to be payable from 2015/16 presenting a financial shortfall in that year which will mean that the Council will have to make further savings to cover the loss of this income.

For next year, the Government has announced another grant payable if councils freeze council tax again. However, the Government's offer for 2012/13 is different. This time, the offer of funding to councils that freeze council tax is a one-off grant, and will only be provided for one year. Councils that accept the grant will be left with a "black hole" in funding in every successive year. For Telford & Wrekin that shortfall would equate to £7m over five years. Councils would have to make up this shortfall through further cuts or higher increases in council tax.

The Council recognises that these are challenging times for council taxpayers but taking account of the above issues and in line with the responses received from the extensive consultation undertaken on the three options put forward for consideration by the community, the soundest option is to decline the Government's offer and, instead, increase council tax by 2.5 per cent for 2012/13. This will make the Council's budget more sustainable over following years and avoid some of the most damaging cuts that would otherwise have to be made to front-line services.

This means the authority would not have to increase council tax by up to 3.5% in subsequent years and the Council will commit to increases of 2.5% pa for the following 3 years as part of a sustainable medium term financial strategy.

This increase equates to 41 pence per week for the average property in the Telford & Wrekin area next year and is an increase of around half the current rate of inflation (RPI for December 2011 was 4.8%).

An increase of 2.5% will mean that council tax in this area will still remain amongst the lowest in the country and is likely to be the third lowest in the Midlands (just over 1% higher than the lowest). Band D Council tax in Telford and Wrekin is still likely to be more than £50pa cheaper than the average in the Shropshire Council area.

**Having considered the responses to consultation and equality analysis, key proposals included in this report are:-**

- In line with the responses to the consultation exercise, the report proposes an increase in the level of council tax of 2.5% in 2012/13. It is also proposed to plan on the basis of increases at this level for the remainder of the term of this Council. This will ensure that the financial position and ability of the Council to deliver services is more sustainable than the short-term alternative of taking a one-off grant from the Government which would otherwise force greater cuts or a higher council tax increase in 2013/14.

- Implementation of the further reductions to the number of senior managers recently consulted upon and continuation of the organisation wide restructuring and service review process currently underway which will see budgets cut by 20% in most parts of the Council although the actual level of savings will vary between different services. Staffing budgets will have been reduced by over £17m and non-staff savings proposals included in this report total over £21m over the three year period.
- To protect the adult social care budget by reinvesting savings of £2.5m 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 Telford Town Centre as well as some new investment in Brookside.
- To suspend the contribution to the single status provision until implementation which is planned for 2014/15.

The overall medium term financial strategy is summarised in the table below:-

<b>Projected Budget Gap</b>	<b>12/13 £m</b>	<b>13/14 £m</b>	<b>14/15 £m</b>	<b>15/16* £m</b>	<b>16/17* £m</b>
Base Budget gap See Appendix 2	21.847	31.635	34.306	40.366	47.076
2011/12 – 2014/15 Tax reduction grant ceases to be paid from 2015/16 onwards				1.400	1.400
Savings proposals including additional income – see Appendix 5 (net)	-8.899	-17.067	-21.151	-22.541	-23.931
Savings from staff restructure (net)	-8.158	-8.483	-8.483	-8.483	-8.483
Single status provision – cease funding for 12/13 and 13/14, net of costs.	-2.000	-2.400	-0.500	-0.500	-0.500
<b>Total Projected Budget Shortfall before use of balances and Council Tax increases</b>	<b>2.790</b>	<b>3.685</b>	<b>4.172</b>	<b>10.242</b>	<b>15.562</b>
Council tax increase of 2.5% in 2012/13 and similar increases in later years	-1.400	-2.800	-4.200	-5.600	-7.000
<b>Restated shortfall before use of general balances</b>	<b>1.390</b>	<b>0.885</b>	<b>-0.028</b>	<b>4.642</b>	<b>8.562</b>

\* Projections beyond 2012/13 have a high degree of uncertainty due to the unknown impacts of the Local Resource Review and projections beyond 2014/15 are more uncertain still as they fall outside the current CSR period.

### Robustness of the Budget Strategy

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 8 gives a more detailed view, but overall the conclusion is that given the planned programme of service reviews and accompanying organisational restructures which have been under way for some time now and underpinned by the proposed council tax strategy, it is considered that the Council is pursuing a sound financial strategy in the context of the most difficult financial position it has ever faced.

In order to deliver a robust medium term financial strategy given the

- low starting level of council tax to deliver council services when compared to other councils
- high level of up front grant cuts faced by the council
- impact of cumulative capital programme investment decisions
- low level of residual balances
- greater uncertainty over future funding streams
- rising and ongoing pressure on services

a strategy of low level council tax increases is considered to be a more sustainable and financially prudent approach than use of further one off grants which only delay the decisions which need taking.

Recommendations approved by Cabinet will be considered at full Council on 1<sup>st</sup> March 2012 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 2012/13.

## **2. RECOMMENDATIONS**

**Members are asked to approve the following recommendations for consideration by Council on 1<sup>st</sup> March 2012:-**

- 2.1 The base budget summarised by Service Delivery Unit in Appendix 1**
- 2.2 An increase of 2.5% in council tax levels in 2012/13 (41 pence per week for the average property in the Borough) and a strategy of increasing council tax by 2.5% in future budgets set by the current Administration in order to maintain financial stability and to protect the delivery of front-line services.**
- 2.3 The reinvestment of £2.5m savings from Adult Social Care to offset service pressures being faced by Adult Social Care services in 2012/13 and the release of £0.9m from the proposed corporate inflation contingency in line with the savings proposals included in 2.5. This will set the corporate inflation contingency for 2012/13 at £2.5m**

- 2.4 To consider the feedback from consultation summarised in Appendix 11 and from scrutiny in Appendix 9**
- 2.5 The 2012/13 net savings package of £8.899m (£9.48m gross) from non-staffing budgets and £8.158m (£9.59m gross) from staffing budgets detailed in Appendices 4, 5 and 6 and the savings proposals set out in these appendices for future years.**
- 2.6 The planned savings targets in future years detailed in Appendices 3, 4 and 5.**
- 2.7 The earmarking of the projected one-off funding transfer of £3m as outlined in section 4.3 from the Primary Care Trust (PCT) anticipated to be received in 2011/12 to support the Adult Social Care budget on a one-off basis in 2012/13 following the transfer of significant costs relating to Continuing Health Care cases to the Council from the PCT.**
- 2.8 The earmarking of £2.145m underspends and savings delivered ahead of schedule in 2011/12 as a one-off budget contingency for use in 2012/13. This amount may be increased further should the Council underspend at the end of 2011/12 as currently projected.**
- 2.9 The suspension of the contribution to the single status provision until 2014/15 with an ongoing reduction to this budget of £0.9m to offset the cost of the elimination of fixed point grades and to recognise the reduction in the size of the workforce following organisational restructuring.**
- 2.10 The Education budget position set out in section 4.11**
- 2.11 The statement of the Chief Finance Officer in paragraph 6 (supported by Appendix 8 outlining the robustness of the Budget Estimates and the Adequacy of Reserves.)**
- 2.12 The policy framework for Reserves and Balances outlined in Appendix 8**
- 2.13 The use of £1.39m general balances to support the ongoing revenue budget in 2012/13**
- 2.14 The earmarking of £0.25m of the General Fund balance as a reserve to support greater flexibility in the working of leisure services.**
- 2.15 The revenue implications of the medium term capital programme for the period 2012/13 – 2014/15 set out in the Capital Programme report also on this agenda.**

**2.16 To confirm the council's priorities as set out in section 4.5 of this report and note that the Council Plan will be brought to cabinet for consideration during March.**

### **3. SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	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 priority outcomes.</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>The proposals contained in this report will impact on specific groups of people. An Impact assessment, on identified savings proposals, highlights equalities, environmental and economic impacts which is included as Appendix 12. Due to the complexity of the budget setting process with a large array of proposals for savings there is potential for a number of small changes to have a large cumulative effect which is detailed in Appendix 12.</i>
<b>TARGET COMPLETION/DELIVERY DATE</b>	<i>A series of borough wide public consultation activities have been undertaken during December and January. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered by full Council on 1<sup>st</sup> March 2012. The final agreed recommendations will be implemented during 2012/13 and future years.</i>	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	<i>This report sets out the service and financial planning strategy for the council for 2012/13 and the medium term.</i>
<b>LEGAL ISSUES</b>	Yes	<i>This report develops the proposals for the Council's budget and policy</i>

		<i>framework and 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>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	<p><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></p> <p><i>Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment.</i></p> <p><i>The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reduce their environmental impact. The environmental assessment detailed in Appendix 12 (b) provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.</i></p> <p><i>The economic impacts of the proposals are detailed in Appendix 12 (c).</i></p>
<b>IMPACT ON SPECIFIC WARDS</b>	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 2012/13.

#### **4.2 NATIONAL CONTEXT.**

##### Comprehensive Spending Review:-

The Cabinet's service and financial planning strategy for 2012/13-2014/15 was launched for consultation at Cabinet on 22<sup>nd</sup> December 2011. This report included details of the Comprehensive Spending Review (CSR) which was announced on 20<sup>th</sup> October 2010 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 general election, which totalled £3m revenue and £1m capital for this Council.

##### Revenue Support Grant:-

The Government announced its provisional Revenue Support Grant settlement for local authorities for the two years 2011/12 and 2012/13 on 13<sup>th</sup> December 2010 with a final settlement for 2011/12 being announced on 31<sup>st</sup> January 2011. The Government announced a revised (but still provisional) grant settlement for 2012/13 for councils on 8th December 2011. The final settlement for 2012/13 was received on 31st January 2012 although details of a small number of grants (which total around £1m in 2011/12 are still awaited). The Council faces a grant loss of £5.6m (7.9%) next year. This reduction is in addition to the grant reductions of £13.6m faced by the Council in 2011/12 and the £3m reduction announced by the Government during 2010/11 with no allowance for the currently high rate of inflation being made by the Government so over the 4 year period covered by the 2010 CSR in real terms grant cuts are expected to total around £40m.

### New Homes Bonus

On 1<sup>st</sup> December 2011, the Council was notified of its provisional New Homes Bonus allocation. This totalled £1.556m but this includes the second year of the “year 1” allocation of £0.615m making the “year 2” allocation £0.941m. These figures had been included in the December Cabinet report and future allocations of New Homes bonus are assumed in projections for future years with a further £0.8m assumed for “year 3” although the allocation will not be known for another year. The allocation for each year is paid for six years and then ceases and is intended to give councils an incentive to permit development of new homes in line with the Government’s growth agenda.

### Local Resource Review

When the Government announced the results of the Comprehensive Spending Review (CSR) in October 2010 they also announced that the local government finance system would be subject to a fundamental review. This review is known as the Local Resource Review and is likely to see the return of business rate income to local control, although the rate in the pound would still be set nationally with reference to the RPI. At present, councils receive their funding from three main sources: grants from central government, council tax and other income (such as charges made for some services). Part of the grant received from central government is National Non-Domestic Rates (NNDR), commonly known as business rates (collected by local authorities but redistributed by the Government). The Government wants to change the current system to enable councils to keep a share of growth in business rates in their area. This will make councils more financially independent from central Government and is designed to incentivise councils to promote local business growth.

Whilst this general principle is supported by the Council the draft proposals have some potential risks for the Council including:-

- The grant settlement for 2012/13 would be frozen as the basis for future funding of the Council for many years. This means that the damping of Revenue Support Grant in 2012/13 of £1.9m would be frozen and not unwound which would happen over time under the current system representing a significant permanent loss to this area of funding which the Government’s own calculations show should be available to support the provision of services to the people of this area.
- Similarly, the Council may not benefit from the growth in population which we expect the 2011 census will confirm compared to the population projections used by ONS and which also significantly reduces the level of Government funding allocated to the people of this area. The Council estimates that current ONS figures understate the population in this area by up to 7,000 people which costs the Council in the region of £2.8m p.a. in lost grant. Again, this loss would have been addressed over the medium term under the current local government finance system but is likely to be perpetuated for many years under the proposed system.
- The risk of reduced income from business rates arising from future recessions, the loss of major businesses from the area or significant appeals against rateable values (which can be back-dated for several

years) would fall on the Council rather than being managed nationally which currently enables issues that would be significant in a local area to be smoothed over a much wider pool. The Government are aware of the potential volatility and therefore potential impact on services that individual councils provide, and may build-in a mechanism to prevent major shocks to local funding levels. However, increased volatility and risk for Councils is inevitable compared to the current system making future projections of income levels just as difficult, if not more difficult, as under the current system. It is also likely that the Council will need to consider increasing the size of bad debts provisions and potentially other reserves to manage the increased risk levels as whilst the current arrangements allow increases and decreases in income from business rates to be smoothed over the country as a whole, in future each council area will need to ensure that it has sufficient reserves available to deal with income shortfalls that arise. This position cannot, however, be assessed until broad details of how the new system will operate are issued by the Government and these are not expected to be available for several months.

In spite of the concerns outlined above, overall the proposed changes are to be welcomed as they reinforce the importance of investment in the local economy. It is not possible to make any assessment of the potential impacts on the Council from the initial consultation document which focussed on general principles for the new finance system rather than specific proposals of how it might work. The uncertainty arising from the Local Resource Review makes projections of the likely level of resource available to the Council after 2012/13 very difficult and any projections beyond this year consequently have a very high degree of uncertainty.

#### National Policy:-

The revenue support grant (RSG) has already been discussed earlier in the report but as well as setting the framework within which funding allocations for local authorities would be set, the CSR also included announcements that the overall national schools budget would be increased in real terms by 0.1% pa, the introduction of a "pupil premium" and that some additional funding would be made available for social care.

#### Council Tax Benefit System:-

Major changes to the council tax benefit system coming in to effect from 2013/14 were also announced as part of the CSR. These will see the grant that the Council receives towards the cost of Council Tax Benefit being cut by 10% (around £1.4m pa) with the Government expecting councils to make this reduction in grant good by implementing less generous local Council Tax Benefit rules. This will mean that people moving between local authority areas may be eligible for a given level of Council Tax Benefit in one area but when their application is considered against a different scheme in another local authority area they may be entitled to a different level of benefit, or no benefit, even if the level of council tax is the same. Clearly having many different council tax benefit systems operating around the country will present the national software suppliers with challenges and potentially increased

systems and administrative costs for councils. The expectation that Councils will have these new Council Tax benefit schemes in place from the start of 2013/14 when the necessary legislation won't be in place for some time yet presents significant challenges and a one-year allowance has been built in to the budget projections for 2013/14 in case it is not possible to implement a revised system from this date.

Two other key national policy developments include:

- **Localism Act** –The Act received Royal Assent on 16 November 2011 and has the potential to effect a significant change in national life, passing power to a local level, creating space for local authorities to lead and innovate and giving people the opportunity to take control of decisions that matter to them. It includes five key measures that underpin the Government's approach to decentralisation: Community rights, Neighbourhood planning, Housing, General power of competence and Empowering cities and other local areas. Different parts of the Act will come into effect at different times although the Government are aiming for many of the major measures to come into effect in April 2012;
- **Welfare Reform** – the Welfare Reform Bill sets out the biggest change to the welfare system for over 60 years. It introduces a wide range of reforms, including the introduction of a Universal Credit, a single benefit that will ensure that 'work pays', caps the total amount of benefit that can be claimed and restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than they are deemed to need.

#### Autumn Statement:-

The Chancellor, George Osborne, delivered his Autumn Statement on 29<sup>th</sup> November 2011. It gave a bleak short-term forecast for the UK economy, with growth predictions for the next two years revised downwards significantly – a move that will impact further on public spending. Mr Osborne presented forecasts by the independent Office for Budget Responsibility (OBR) that now indicate the UK's economic growth will be just 0.9% in 2011. He revealed that the OBR has significantly revised down its forecast for growth in 2012 from 2.5% to just 0.7%. He also said that, while government borrowing and debt was falling, it was not doing so 'as quickly as we wished'. He cited the eurozone crisis, rising energy and commodity prices and the 'external inflation shock' as the reasons for these weaker forecasts. According to the OBR, the government is expected to borrow £127bn this year – £5bn more than it forecast in March's Budget. The Chancellor predicted that this figure would be reduced to £24bn by 2016/17.

A number of commentators have said that such downgrades in growth projections and the deficit reduction plan are likely to hinder Britain's economic recovery, despite measures announced designed to kick-start national and regional economic growth. The OBR has, for example, predicted that the number of public sector job losses by 2015 will now reach 710,000.

The OBR had, until recently, predicted that job losses would be limited to 390,000. Michael O'Higgins, Chairman of the Audit Commission has said that a report published in early December jointly with the Local Government Association showed how councils have already reduced headcount by 145,000 jobs because of financial challenges. The OBR also forecast an increase in unemployment from 8.1% this year to 8.7% in 2012 falling to 6.2% by 2016.

The Chancellor identified an additional £1bn to invest in local economic growth through the Regional Growth Fund. To help fund the additional spending, Mr Osborne announced a tight public sector pay regime, with average pay increases for public sector employees likely to be limited to 1% for the two years following the current pay freeze. Whilst the Government does not directly control local government pay settlements, this announcement is likely to influence pay negotiations over coming years. Allocations to spending departments (other than for the NHS and schools) will be reduced by 1% as previously an assumption of 2% had been made to claw this saving back centrally. The Chancellor also announced plans to consider how public sector pay can be made more responsive to local labour markets.

Changes to business rates were also announced including:-

- The extension of the current business rates holiday for small firms by a further 6 months to April 2013,
- The deferral of "60% of the increase (in next year's rise in business rates) to the following two years".

It was also announced that plans for public spending in 2015/16 and 2016/17 will be set in line with the spending reductions over the Spending Review 2010 period extending the current cuts in public spending for at least a further two years.

### **4.3 LOCAL CONTEXT**

#### Continuing Health Care Funding.

The December Cabinet report referred to savings being made by the PCT as part of the NHS QIPP programme which requires ongoing savings of over £50m locally in this area over a 4 year period. As part of this programme the Telford & Wrekin PCT has set targets to reduce spending on Continuing Health Care (CHC) which funds people with chronic long term health conditions, as benchmarking data indicated the PCT was a high per capita spender in this area. It set about delivering this through reviewing existing clients and removing funding for many although their actual condition has not changed, as well as applying the revised approach to new potential clients. The majority of clients now refused NHS funding then become the responsibility of the Council to fund across the range of vulnerable client groups - the elderly and those with mental health, learning and physical disabilities who were previously agreed as also having significant ongoing health needs.

The Council recognises that some previous CHC funding decisions made by the PCT should potentially have been made differently and directed costs to the Council which could also then have put different care packages in place. The Council has therefore previously set aside additional ongoing funding of around £1.5m for CHCs, already had another £1.3m built into next year's base budget-making £2.8m in total ongoing and is also utilising £2m additional NHS funding transferred to the Council by the Government to promote integrated health & care working. However the scale and speed of CHC cost displacement by the PCT has grown far beyond that planned in PCT budgets. The additional in year pressure has been largely absorbed so far by use of one off funding and other in year savings although a variation is reported through financial monitoring. These one off resources will not however be available in 2012/13 and beyond and thus the continual and rapid rise in CHC costs being moved on to the Council is increasing the budget funding gap for 2012/13 and beyond. Latest projections are that a further £0.6m cost transfer in addition to that projected in the December Cabinet report will occur during 2012/13 and has therefore been built in to the budget projections for 2012/13 onwards.

The Council has however, held very positive discussions with the PCT around the impact this is having on Council budgets and the implications for spending across the local Health and Care economy as a whole. The PCT will therefore ensure one off funding is in place in 2012/13 to mitigate £3m of this impact and further discussions will be held to address the ongoing allocation of CHC costs between the Council and the GP Clinical Commissioning Group.

Therefore, compared to the position reported in December there is a net reduction of £0.4m in 2012/13 in the additional impact of the cost of CHC cases after offsetting the additional support provided by the PCT to social care budgets through section 256 agreements.

#### Public Health:-

From April 2013, the running of Public Health will transfer formally from the PCT to the Council. A 'shadow budget' will be in place for 2012/13 and the actual transfer of funding will take place in 2013/14. Current indications are that the amount to be transferred will be in the region of £7-8m. p.a. and it is currently assumed that spending by the Council on Public Health from 2013/14 onwards will be in line with whatever allocation is received. A wide range of services will transfer in to the Council and are likely to include health protection plans, sexual health, national child measurement programme, Health Check and public health advice to NHS commissioners.

#### Savings Programme:-

Clearly the council has been planning for budget reductions for some time and work is well in hand in developing a new more cost effective organisational structure. The latest proposals for restructuring senior management which were announced in November 2011 have been confirmed following consultation and see the number of senior managers having been cut by more than half over the last three years as well as significant reductions in the pay

of the most senior managers. A comprehensive programme of service reviews and staff restructurings is in progress and is already generating significant savings in the current financial year. As part of this programme all Heads of Service have been set a target of identifying proposals that would reduce service costs by 20% although it has been agreed to recognise the pressures faced by the Council's Children's safeguarding service and defer the 20% staffing savings target in this area to 2015/16, i.e. beyond the period covered by the medium term financial strategy, in order to enable major transitional changes in service design and delivery, currently in progress, to take full effect.

#### Service Pressures:-

The difficult economic situation continues to have a significant impact on the community. In addition to an increase in the cost of living, impacts include:

- Higher unemployment – April 2010-March 2011, (Telford & Wrekin), 9.8% unemployed, compared to 7.5% the previous year. For young unemployed (16-24) the rate was 27.4% compared to 23.2% the previous year.
- Limited new house building, restricted availability of mortgages and slow housing market – in October 2010 mortgage lending in the UK was at a 10 year low. The Council for Mortgage Lenders has stated in October this year that the underlying picture has not changed dramatically and that gross mortgage lending has remained flat, despite a modest lending revival in recent months.
- Increase in Council Tax and Housing Benefit applicants – the number of claimants for Housing and Council Tax benefits is at an all time high with a 10% increase over the last 2 years (up to April 2011). So far this year our benefit expenditure is more than £2.8m higher than at the same point last year. In addition, there has been an increase of over 5,000 more 'change of circumstances' assessments since the same point last year.

The Council has a key role to play in mitigating the effects of the economic downturn and planning for recovery, through supporting the growth of key economic sectors, promoting the Borough's business and leisure tourism offer, and creating a 'business friendly environment' with available employment land and an effective infrastructure. The Senior Management restructure proposals will help the council respond effectively to this agenda.

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.

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 regional trends, we continue to have an increase in numbers of Children in Care (CIC). There has also been a significant increase in children remaining in care for longer periods to 2010/11. Although there has been an improvement more recently in the duration that children remain in care, this continues to lead to significant financial pressures.
- **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. This is in addition to the transfer of significant Continuing Health Care costs from the PCT as highlighted above.

The Government's proposed changes to the Welfare Benefits system will also have significant financial implications for some households in the Borough. We will need to carefully monitor the impact of these changes, which have the potential to further increase demand for a range of our services.

Investments:-

In July 2011, the Council approved the 100 day budget review for consultation which set out the principles that guide the development of our budget and our investment and savings programme. Clearly given the context of very significant cuts in Government grants and the uncertainties over the impacts of the Local Resource Review, the scope for additional investments is very limited. However, areas where additional investments have been made in 2011/12 or are proposed for future years include:

- Adult and children's social care services;
- Maintaining roads and pavements,
- Environmental improvements in Brookside;
- The Council's Building Schools for the Future programme;
- Telford Ice rink – one of the most used leisure facilities in the Borough receiving around 200,000 visits pa;
- The Regeneration of Telford Town Centre.

#### **4.4 UPDATED POSITION.**

Since the launch of the Cabinet's service and financial planning strategy for 2012/13 - 2014/15 at Cabinet on 22<sup>nd</sup> December 2011, extensive public consultation has been undertaken on the service and financial planning proposals. The results from the consultation are summarised in Appendix 11. Following comments received during the consultation process a number of changes are proposed to the package of savings proposals. These are detailed in section 4.7 of the report.

The Budget & Finance Scrutiny Committee have reviewed the proposals at meetings held during January and early February and their views are reported in Appendix 9. 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 22<sup>nd</sup> December Cabinet report highlighted that information relating to some relatively small grants had not yet been made available by the Government. Some information is still awaited so the assumptions used in December have not been revised. However, the final Formula Grant details for 2012/13 were announced on 31st January 2012 and saw no change in the allocation for 2012/13.

#### Budget Assumptions:-

The key assumptions used in preparing the December report have been reviewed and only two changes made which relate to:-

1. Reducing the provision for pay awards from 2013/14 from 2% to 1% to reflect the Chancellor's announcement as part of the Autumn Statement of a guideline that public sector pay awards should be around 1% following the end of the current pay freeze. No central provision will be made for pay awards and the cost will therefore have to be managed within service budgets through natural wastage and vacancy management. These adjustments reduce the projected budget gap from 2013/14 by £0.96m pa. The key budget assumptions are detailed in Appendix 8. Whilst this change in assumptions impacts on projections for future years, there is no impact on the budget for 2012/13 as no pay award is assumed in this year. If any pay award is agreed the cost will have to be met from natural wastage within service areas.
2. An assumption that fees and charges budgets will be increased by an average of 1.5% across the board for the medium term planning period over and above any increases already put forward as savings proposals. The first increase will be applied from mid 2012/13 and then annual increases will be applied from the start of future financial years. A 1.5% increase in fees and charges budgets would generate around £0.66m pa in a full year. Clearly it will not be possible or desirable to increase some fees and charges budgets and so the rate of increase could be nil in some areas provided that higher than average increases are applied in other areas. Proposals will be developed for consultation where necessary following a review of income budgets.

#### Potential Investment in Ironbridge Gorge Stability Project:-

The Council is in discussion with the Government over funding the cost of works to stabilise parts of the Ironbridge Gorge and as set out in section 5.1 of this report, the costs of the Council's counter-offer to the Government have been built in to the budget strategy.

## **4.5 OUR PRIORITIES**

In response to what the community have told us during extensive engagement activities over the summer period and the challenges facing the Borough, the Council has identified a series of priority outcomes to inform both short to

medium term planning and also longer term thinking about the future shape of the Borough to 2020. These are:

- 1. A growing local economy to create jobs**
- 2. Improved 'life-chances' for all**
- 3. Vulnerable children and adults are protected**
- 4. Clean and well maintained neighbourhoods and streets**
- 5. Residents feeling safe and proud of where they live**
- 6. Housing choices to meet the needs of all**

As well as these community focussed priorities, we have identified a priority outcome for the Council as an organisation, that is:

**7. A Co-operative Council working with the community**

Delivering Our Priorities:-

The Council is clearly facing very significant financial constraints and has many competing pressures for the funding that is available. It is therefore essential that a clear set of priorities is developed in consultation with the community and clearly articulated. Over the summer, a great deal of consultation took place to inform these priorities and also about what we want to have achieved by 2020 and how this will shape the future of the Borough – our “vision”. In articulating our priorities, we have also highlighted our most important short to medium term actions to deliver them. More information will be included in the Council Plan which will be considered at Cabinet during March.

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

#### **4.6 ENGAGEMENT FEEDBACK**

The service and financial planning strategy has also been informed by a wide-ranging engagement programme with the local community. This started in the summer and continued throughout the remainder of 2011. Details of the results from the initial phase of engagement activity were included in the December report to Cabinet. During January extensive consultation took place on the draft service and financial planning proposals. Key points from the consultation responses are highlighted below with further details included in Appendix 11.

Between August 2011 and January 2012 we have consulted with and received feedback from approximately 7,442 contacts.

Firstly, the draft strategy was informed by extensive consultation exercises during August, September and October, involving approximately 3,000 contacts. Consultations included:

**100 day Budget Survey** - throughout September we asked local people about the proposed changes to the 2011/12 budget. A two sided

questionnaire focused on the proposals that would have most of an impact on the community.

**Savings Suggestions** - this ongoing initiative gives local people the opportunity to tell us how they think the Council could save money, do things differently or more efficiently. Suggestions also include those put forward internally by staff.

**Budget Calculator** - this online tool gave people an opportunity to have a go at balancing the Council's budget against their own priorities, seeing the impact these changes had on Council Tax levels and possible changes to service delivery. Participants were also able to adjust levels of income (fees and charges) and borrowing and were asked to prioritise areas of capital spend.

**Shaping the Future** - this Borough wide consultation asked approximately 2,800 local people what matters most to them about the Borough, what are the main problems/worries for people and what they felt needed to change. The results of this major programme of public consultation have influenced the draft priorities.

Details of the above engagement activities and results are included in Appendix 1 of the Service and Financial Planning 2012/13 – 2014/15 report to Cabinet in December 2011.

Since the draft strategy was approved by Cabinet on 22 December 2011 the Council undertook further extensive consultation. We tried to ensure that as many people as possible, across the Borough had the information and the opportunity to get involved and give their views. Consultation methods included:-

- A consultation pull out document 'the budget challenge' summarising the main budget proposals; distributed through "Your Voice" with the aim of informing every household in the Borough. The pull out included a tear off section inviting people to let us know what they think about options put forward around the council tax;
- A dedicated budget page on the Council's website which gave people a range of opportunities to get involved and give their views on the budget strategy, including the draft priorities. Opportunities include use of Facebook, Twitter, and invitations to write in, ring in or text in views and comments;
- A full online budget survey and hard copies distributed in libraries and First Point;
- Survey sent to all members of the Community Panel;
- Meetings with a range of forums and groups;
- A well attended open public meeting;
- Information outlining the budget consultation and how people can get involved distributed to a wide range of people including town and parish councils, the business community and the voluntary and community sector;

- Surveys distributed through a wide range of networks including Children Centres, Early Years Settings, FE Colleges, Faith Organisations, Medical Centres and resident groups.
- Formal consultation with the Council's Budget & Finance Scrutiny Committee which includes an independent co-opted member of the public and councillors from both the controlling and main opposition groups.

The number of responses received are summarised below:

**Survey responses = 1,618**

- Hard copies received = 560
- Online surveys completed = 1,058

**“Your Voice” = 776**

- Cut out from ‘Your Voice’ = 776

**Comments, views and ideas = 65**

- Email = 27
- Letter = 5
- Facebook = 2
- Twitter = 15
- Via Council Tax form = 13
- Expressed a view on council tax options by email = 3

**Forums and groups = 313**

- Parish Forum = 13
- Senior Citizens Forum = 210 (approximately)
- Deaf Club = 50 (approximately)
- Parent and Carers Forum = 5
- Young People's Forum = 12
- Rural Forum = 12
- Telford Business Forum = 11

**Public budget consultation event = 68+**

68 people signed in (plus a number of additional Councillors)

**Savings Suggestions to date = 1030**

**Town and Parish Councils** - discussions with Town and Parish Councils commenced at a Forum meeting held on 13<sup>th</sup> October 2011 and were subsequently followed up with a letter to all Town and Parish Councils from the Cabinet Members for The Environment, Co-operative Council & Partnerships and Resources & Service Delivery offering meetings with any Town or Parish Council interested in discussing options for a number of environmental services and a letter targeted to those Town and Parish councils impacted by proposals for changes to the opening hours of some libraries. Further letters were sent to Town and Parish Councils outlining the ways in which they could get involved in the budget consultation. In January the Council attended the Parish Forum.

## **Council Tax Consultation**

The Council wanted to find out from local people what they thought about Council Tax. It was recognised that household budgets are under strain and accepting the Government's one-off grant is an attractive offer in the short-term. However, this would increase financial pressure on the Council and the likelihood of further cuts to services in future years. The Council asked local people to tell us their preferred option out of the three options set out below.

In total 2,287 people responded to the Council Tax question. Results show that:

37% of people (848 people) opted for Option 1 ("Accept the Government's grant and freeze council tax next year. This one year grant is the same as a 2.5% rise in council tax. The Council says taking it will store up future problems, adding an extra £1.4million to the budget shortfall in 2012/13 and forcing even bigger rises in council tax or deeper cuts to services the following year. Change on your council tax Band B bill £0.00/week")

37% of people (844 people) opted for Option 2 ("Decline the one off grant and increase council tax by 41p per week (2.5%) for the average property next year to avoid additional service cuts or a higher council tax rises in 2013/14. Change to council tax bill Band B 41pence/week")

26% of people (595 people) opted for Option 3 ("Decline the one off grant and increase tax by 58p per week (3.5%) next year for the average property and then either remove some of the proposed service cuts or reduce the council tax rise in 2013/14. Change on your council tax Band B bill 58pence/week").

**In total 63% (1,439 people) voted for either option 2 or option 3 i.e. some level of increase in council tax.**

As part of its decision making process, the Cabinet considered the responses to the Council Tax consultation and in the light of the response from the community, have decided to recommend to Council a tax increase of 2.5% next year. The Council will plan on the basis of increases at this level in forthcoming years.

Other key results of the budget consultation include:-

- The most important guiding principle for people is that of 'find better ways to run services and avoid wasting money'.
- 69% net of people agreed with our plans for Children and Family Services.
- 83% net of people agreed with our plans for Adult Services.
- 82% net of people agreed with our plans for Environmental Services.
- Investments – 13% net of people agreed with the new capital programme which includes improvements to Brookside and 82% net of people agreed with adult services proposals.

- Cuts most supported include Street Lighting Efficiency Programme, Increase independent travel and removal of concessions on golf for all groups.
- Cuts least supported include an annual increase in council owned car parks in Ironbridge and Telford Town Centre and the review of the number of routes gritted in ice and snow from next winter.
- All draft priorities received net agreement of 57% or over. Growing the local economy to create jobs was the priority with the highest net agreement.

(Net agreement is calculated as those agreeing with a question minus those disagreeing).

Details of the results of the above consultations can be found in Appendix 11

#### 4.7 **RESPONSE TO CONSULTATION RESULTS.**

Cabinet members would like to thank everyone who got involved in the consultation exercise. In general there were relatively high levels of support for the budget proposals set out in the December Cabinet report.

Only 5 of the savings proposals for 2012/13 received negative net satisfaction ratings (i.e. more people were against the proposal than those in favour) during the consultation exercise. These proposals and the cabinet's proposed response to them are detailed below:-

	Agree	Disagree	Net	Saving	Saving	Saving
	%	%	%	12/13 £'000	13/14 £'000	14/15 £'000
Revise charges for Resident Permit Scheme and Season Tickets in Ironbridge	33	38	-5	19	19	19
<p><i>Revised Proposal -</i></p> <ul style="list-style-type: none"> <li>• <i>To retain free parking permits for residents of Ironbridge and revise charges for residents visitor permits – from £15 to £25 and seasonal full permits from £35 to £55</i></li> <li>• <i>Free drop off and pick up parking for parents will be retained</i></li> <li>• <i>The administrative process for issuing permits will be reviewed.</i></li> </ul> <p><i>This will reduce the saving generated by £17.5k pa</i></p>						
Increasing charges from £8 to £12 per hour for low level support to vulnerable adults, who do not meet the eligibility threshold for community	36	43	-7	117	117	117

care support						
<p><i>Revised Proposal -</i></p> <ul style="list-style-type: none"> <li><i>To phase the charge in by increasing to £10 per hour with effect from 1st April 2012 and to £12 an hour (so that the service is no longer subsidised by council tax payers) with effect from 1st October 2012.</i></li> </ul> <p><i>This will reduce the saving by £29k in 2012/13</i></p>						
Reviewing the number of routes gritted in ice and snow from next winter	37	50	-13	50	100	150
<p><i>Revised proposal</i></p> <ul style="list-style-type: none"> <li><i>To retain the current primary and secondary winter maintenance routes and salting/gritting standards.</i></li> <li><i>To find operational efficiencies through greater use of new technology and highway thermal monitoring of £50k pa</i></li> </ul> <p><i>There will therefore be no net reduction in the saving for 2012/13 but a reduction of £100k ongoing by 2014/15.</i></p>						
Increase parking changes annually by 10% in Council owned car parks in Telford Town Centre	29	59	-30	4	8	8
<p><i>No change is proposed on the basis that the Council only owns one small car park (56 spaces) within the Town Centre.</i></p> <p><i>The charges for this small council owned car park during 2012/13 will be:-</i></p> <p><i>Up to 1 hour = 80p (previously 70p)</i>  <i>Up to 2 hours = 1.40 (previously 1.30)</i>  <i>Up to 3 hours = 2.20 (previously 2.00)</i>  <i>Up to 4 hours = 2.80 (previously 2.50)</i>  <i>Over 4 hours = 3.40 (previously 3.10)</i></p> <p><i>The Council currently provides 2,000 free parking spaces across the area and there are no plans to impose any charges on these spaces.</i></p>						
Increase parking charges annually by 20% in Council owned car parks in Ironbridge	24	62	-38	16	32	32
<i>Revised proposal</i>						

*Charges will be increased as follows (20% rounded to the nearest 10p):-*

*2012/13 Market Square Car Park (16 spaces)*

*Up to 30 minutes = 50p (previously 40p)*

*Up to 1 hour = 90p (previously 70p)*

*Other Ironbridge Car Parks*

*Up to 2 hours = 90p (previously 70p)*

*Up to 3 hours = 160p (previously 130p)*

*Over 3 hours = 170p (previously 140p)*

*2013/14 Market Square Car Park (16 spaces)*

*Up to 30 minutes = 60p*

*Up to 1 hour = 110p*

*Other Ironbridge Car Parks*

*Up to 2 hours = 110p*

*Up to 3 hours = 190p*

*Over 3 hours = 200p*

*There will be a minor reduction in the saving which is currently being assessed.*

Two other savings proposals attracted strong comments. These were:-

“The introduction of a pavement licensing scheme with a £50 charge to the businesses concerned”. In response to consultation, it is not now proposed to introduce this scheme. This will reduce the savings totals by £2.5k pa by 2013/14, however the council will now work with Wellington Town Council, Shropshire Chamber of Commerce and traders to work up a system whereby shop traders, residents and all partners are happy with the look and feel of the high street.

“The closure of the Newport Community Recycling Centre (CRC)”. As part of the consultation process discussions have taken place with representatives of Newport Town Council to explain the financial basis behind the proposal and to establish whether they wanted to consider funding the operation of the CRC. The outcome of these discussions is that in the present financial climate both the Borough Council and Newport Town Council are not in a position to fund the facility and therefore the original proposal to close will stand. Full use of the Council’s Kerbside Service for dry recyclables and Green Waste will help mitigate the closure. From April, three CRC’s throughout the Borough will remain open on Friday, Saturday, Sunday and Monday and on Tuesday, Wednesday, and Thursday there will be one CRC available for Borough residents.

In total these changes have the effect of reducing the savings originally proposed as follows:-

2012/13 £'000	2013/14 £'000	2014/15 £'000
68	70	120

## 4.8 **FINANCIAL POSITION**

### 2011/12 Budget Strategy:-

The current year's budget was based on funding from the first year of a very challenging 2 year grant settlement and was dependent upon the use of over £9.2m of one-off resources. This is a position which clearly could not be sustained and was therefore dependent in future on either very significant cuts or a combination of still significant cuts with some increase in charges including council tax increases.

Following the Comprehensive Spending Review, the public sector faces a period of unprecedented financial constraint and uncertainty in the level of resources available in future years 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 extremely difficult and have a high degree of uncertainty given the Local Resource Review. However, it is certain 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, welfare services and homelessness services
- 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' safeguarding and adult care budgets. 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. Telford & Wrekin Council has one of the lowest council tax levels in the country. We have the lowest council tax in the Midlands region for the services that this Council provides (£129 lower than the average at band D and £332 below the highest in the Midlands region) and we have the sixth lowest council tax out of all unitary authorities across the country. This brings challenges in balancing the priorities for supporting pressurised existing

services such as Children's and Adults social services, alongside the pressure caused by significant grant reductions as the Government have not taken account of comparative levels of council tax in determining the grant reductions that are being made to individual councils.

A summary of the 2012/13 base budget is attached at Appendix 1 while Appendix 2 shows year on year movements from the 2011/12 budget.

#### **4.9 EQUALITY IMPACT ASSESSMENT**

Equality Impact Assessment is a tool that is used to ensure our decision making takes into consideration the protected characteristics with regard to the General Equality Duty (GED). In short we must demonstrate that we pay due regard to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity and to foster good relations.

We have assessed and analysed the practical impact on those whose needs are affected by cuts or changes. We have adopted a proportionate approach that takes into account the relevance of a proposal with regard to equality. This is a measured response recognising that our resources are best aimed at dealing with those proposals that could have a more significant impact.

In order to accomplish this we have followed a process designed to stream proposals and ensure that they are fully explored;

- Initially a pro-forma was issued to Heads of Service asking for details of saving proposals and any impacts that may be experienced by service users.
- When compiled into one place a screening exercise was conducted by the Equalities Team, to identify possible further requirements for impact analysis and/or service user engagement for the next financial year's budget savings. This list was agreed by the Policy Review Board.
- The Community Engagement and Equalities Team worked with identified lead officers to investigate the proposals confirming the extent of the equality implications and service user engagement scope.
- For proposals where implications have been identified and are at a sufficiently developed state a proportionate impact analysis has been undertaken. Where a proposal was still at a very early stage a plan has been put in place to ensure delivery of equality impact analysis during its development.
- The Policy Review Board and the relevant lead Cabinet Member and Head of Service confirmed and agreed the service user engagement scope and equality implications.
- Details of the process for identifying further equality impact assessments and service user engagement was considered by the Budget & Finance Scrutiny Committee at their meeting held on 15<sup>th</sup> November 2011.
- A summary of the service user engagement scope and actions are detailed in Appendix 2 of the Service and Financial Planning 2012/13 – 2014/15 report to Cabinet on 22 December 2011.

- Following the close of budget consultation on the draft strategy at 31 January 2012, Cabinet and appropriate Heads of Service considered the results.
- Equality Impact Assessments were updated with regard to the consultation and mitigating actions sections.
- There are a range of positive and negative equality impacts identified within these savings proposals. Actions to mitigate and enhance these impacts have been identified where appropriate; detailed in Appendix 12

Due to the complexity of the budget setting process with a vast array of proposals for savings there is potential for a number of small changes to have a large cumulative effect. An equality analysis of the overall impact of the budget has been completed and can be found in Appendix 12.

Overall there is an advancement of equality of opportunity for example realigning resources to take into consideration individual needs at an early stage and more efficient ways of working. The overall analysis also highlights some of the areas where little information about potential impacts is known and suggests a number of actions that seek to fill this gap.

No significant residual negative impacts will remain when the outline actions are complete, demonstrated in Section 2 Impact Assessment, Appendix 12.

The analysis will be reviewed and monitored over the full period covered by this report to ensure no unidentified impacts occur and positive progress is maintained.

#### **4.10 ENVIRONMENTAL AND ECONOMIC IMPACT ASSESSMENTS**

Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment. The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact.

The environmental assessment detailed in Appendix 12(b) provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.

An economic impact assessment has also been undertaken for those proposals that have a significant individual economic impact and is included as Appendix 12(c), identifying mitigating measures that will be undertaken to offset those impacts.

#### 4.11 SCHOOLS BUDGET SETTLEMENT

The Education settlement confirmed that, as announced as part of the consultation on School Funding, the current methodology for funding for schools through the Dedicated Schools Grant (DSG) will continue in 2012-13. The basis of the DSG allocation will be kept at a flat cash per pupil figure. The flat cash per pupil figure for Telford and Wrekin is £4854.50

The Department will continue with arrangements to protect local authorities with falling numbers to ensure no Council loses more than 2% of its budget in cash terms. Although the overall schools budget will stay at the same level on a per pupil basis before the addition of the Pupil Premium, the actual level of each school's individual budget will vary either because they have fewer pupils or where there are local changes to funding distribution. The Government will therefore continue with arrangements to protect individual schools from any significant budget reductions by applying a Minimum Funding Guarantee that ensures no school sees more than a 1.5% per pupil reduction in 2012-13 budgets (excluding sixth form funding) compared to 2011-12 and before the Pupil Premium is added.

In 2011/12 the Government gave all Local Authorities a one year Dedicated Schools Grant in the expectation that following consultation on School funding arrangements a changed methodology for funding would be implemented. This consultation was carried out during the year in two phases, the second phase closed in October and the summary of responses was published shortly after the settlement. The DfE included only a short note on the next steps:

***“The Government is grateful to all those who have responded to the important issues raised in the consultation. It recognises that there is a good deal of consensus around some proposals, such as the factors to include in both any national and local formulae, and the need for careful transitional arrangements. However, the responses also reflect a variety of views over some of the key aspects of the system. The Department is now working on developing further proposals in light of the responses.”***

The future outlook for Telford & Wrekin school funding will be dependent upon the results of the government's changes to national school funding. Given the comparatively low level of funding per pupil currently allocated to Telford & Wrekin, changes may potentially lead to a better settlement for schools in the area although without more detailed proposals this cannot be certain. Whilst the earliest date for the introduction of a new funding system is 2013/14, it is currently unclear when exactly it will be introduced given the response to timescales for introduction within the consultation was varied. However, it is likely that any transitional arrangements would reduce the impact for some years after the new system is introduced as with no additional cash in the system apart from the pupil premium, any change in this spending period will create turbulence in the system with little or no money available for protection to cushion any losers.

Compared to general local authority funding, school budgets have been comparatively protected, with a cash frozen per pupil budget in 2011/12 supplemented by a pupil premium of £488 for each pupil eligible for free school meals and £200 for each pupil from a service family. Whilst the flat cash per pupil allocation continues into 2012/13, the national funding for Pupil Premium will be doubled in 2012/13 compared to 2011/12 and will total £1.25 billion – £1.2 billion for the Pupil Premium to schools and £50 million for a new summer school programme to help the most disadvantaged pupils make the transition from primary to secondary school. Further information about the summer school programme, including how schools can access funding, will be made available in coming weeks. The per pupil allocation payable to schools for the premium will increase to £600. Currently, the premium is worth £488 and goes to children who are currently on Free School Meals, service children and children in care who have been looked after by local authorities for more than six months. The DfE have decided, for 2012/13, to increase the number of children eligible for the premium to any who have been eligible for free school meals in the last 6 years. It is expected that nationally over half a million additional children will benefit from this change. Telford and Wrekin schools currently receive an additional £2.2m in respect of Pupil Premium.

Early illustrative figures provided by the DfE indicate an estimated figure of £4.6m in total for Telford & Wrekin schools in 2012/13, this figure will not be confirmed for some time when actual pupil detail and eligibility levels are known. Pupil Premium is a mechanism to focus funding on disadvantaged children and in that respect tends to be largely attributed to schools with higher levels of deprived pupils.

Whilst pupil numbers are stabilising in Telford & Wrekin's primary sector, they continue to fall in the secondary sector, resulting in some comparatively small and shrinking schools having to cope with year on year reductions in funding. Pupil numbers reduction, however, is not significant enough across the authority to reach the cash floor of 2% set by the Government. Early estimates for pupil numbers to be used as a basis for the calculation of the Dedicated Schools Grant (DSG) in 2012/13 indicate a net fall of 140 pupils across the school sectors which would result in approximately £680k reduction in grant. Final funding allocations will be based on the January pupil census. Any reduction in funding would add to the pressures already being experienced in some schools with the need for them to make difficult decisions to address any shortfalls. The characteristics of some of those schools affected may not necessarily meet the criteria to attract significant additional Pupil Premium funding. The implication of cash frozen funding per pupil plus pupil premium is that if our local funding formula remains unchanged, less deprived schools will see year on year real terms reduction in funding, as the modest increases in funding via the pupil premium for such schools will be less than inflationary pressures.

The loss of DSG funding associated with pupil numbers also has an impact on the amount of funding retained by the Council for Education services as does any conversion of a maintained school to Academy status thus adding further

pressure to the Authority, the scale of which will depend on the pupil count and the number of schools converting.

The DfE continue to encourage schools to convert to academies and in addition to the loss of Dedicated Schools Grant related to converting schools they also introduced a national top slice of all Councils' formula grants to reflect the transfer of statutory duties and responsibilities from Local Authorities to Academies. A DfE consultation undertaken in the summer on this top slice had indicated a potential increase in the top slice for 2011/12 and 2012/13 as more schools had converted to Academy status nationally than expected. A new consultation following an assessment of the earlier consultation's responses was launched on settlement day indicating that the Minister was 'minded to' make no changes to the top slice amount already identified in 2011/12 and propose a more accurate reflection of the impact of academy transfers on an authority by authority basis for 2012/13. The latter will be achieved by comparison of the top slice to the Council's budgeted expenditure that would be deducted under a 'per pupil in academies' calculation. A statement showing this comparison will be published in January 2013. If the top slice for a local authority was more than the per pupil amount, the authority will be refunded the difference, if less than a cap at the level of the original top slice will be applied. This means at a minimum there will be no change to the Council's current position. This consultation closed on 12<sup>th</sup> January 2012 and the final outcome is yet to be announced.

## **5.0 OUR STRATEGY**

The Council's service and financial planning strategy for 2011/12 was based around a number of guiding principles that were revised as part of the 100 day budget review. These revised principles, were consulted on following the approval of the December 22<sup>nd</sup> Cabinet report and received high levels of endorsement (see Appendix 11 for full details). They are:-

- Develop spending plans that are based on and address the community's needs and priorities;
- Be open and transparent in how resources are spent across the Borough, but target spend at issues and areas where needs are greatest;
- As a Co-operative Council, involve the community in the budget-setting process and in identifying new ways of delivering services that ensure that needs in the Borough continue to be addressed;
- 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, particularly through improving our approach to procuring goods and services;
- Look for external investment e.g. Government grants, to address priorities;
- Set aside some additional money to deal with any unforeseen circumstances caused by the current economic situation;

- Take a responsible approach to the use of Council reserves that balances a need for financial prudence and sustainability with the need to maintain and protect important frontline services;
- Where possible cut the Council's reliance on borrowing for some capital schemes so that expenditure on debt repayments can be reduced;
- Sell some of the Council's land and property to reduce borrowing, cut running costs, and – where there is a strong business case – to fund priority facilities and schemes.

To identify savings and efficiencies, we have been carrying out a rolling programme of restructuring and service reviews across all budgets. During 2012/13, we plan to deliver £9.48m gross of savings from non-staffing budgets. Some of the value of these savings “leak” so that the benefit arises on the capital account or Dedicated Schools Budget rather than the Council's main General Fund revenue budget so the net value of these savings to the Council's main General Fund revenue budget net of “leakage” will be £8.899m. Our proposed non-staffing savings package is shown in Appendix 6. In addition to these savings from non-staffing budgets, the Council also plans to make further savings from staff restructurings of £9.587m gross (£8.158m net) in 2012/13.

A key budget principle is to ‘deliver efficiencies and savings, as far as possible minimising the impact on the quality of services’, therefore we have prioritised identifying savings options that will not impact on services delivered to the public.

Our non-staff savings strategy has particularly focused on two main areas:

- Improving procurement – (£2.18m gross in procurement savings identified for 2012/13) - through a combination of re-tendering contracts, reviewing and robustly re-negotiating existing contracts and making greater use of framework agreements;
- Driving down non-staffing costs that have minimal impact on service delivery, such as stationery, postage and hospitality (£3.88m gross in operational efficiencies identified for 2012/13) – by reviewing and challenging budgets ‘line by line’ to ensure that we have exhausted as many options as possible before considering changes or reductions to services;

However, due to the scale of the budget gap, we have no option but to consider some savings that will impact on services. Our starting point for identifying savings options has been the principle that ‘our spending plans are based on and address the community's needs and priorities’. In other words, our strategy is as much about defining what we can do as what we cannot.

We have considered the views and suggestions of local people and key outcomes for the Borough:

- 1. A growing local economy to create jobs**
- 2. Improved 'life-chances' for all**
- 3. Vulnerable children and adults are protected**
- 4. Clean and well maintained neighbourhoods and streets**
- 5. Residents feeling safe and proud of where they live**
- 6. Housing choices to meet the needs of all**

As well as these community focussed priorities, we have identified a priority outcome for the Council as an organisation, that is:

**7. A Co-operative Council working with the community**

Our strategy is to avoid 'quick-fix' solutions in services that are critical to the delivery of these outcomes, such as Children and Families, Environmental Services and Adult Social Care. Wherever possible, we are focusing on planned, long-term, positive service changes, as opposed to withdrawing services and closing facilities.

For Adult Social Care, we plan to radically change services to enable and reable people to live as independently as possible and to give them more choice and control over how their needs are met. A key element of this service re-design will be the shift towards re-ablement; helping ill or disabled adults to learn or re-learn the skills for daily living and using equipment to live more independently. Re-ablement will help people realise their full potential and promote independence, whilst also releasing savings from long-term care budgets over time. Although not appropriate in every case, we expect that the vast majority of people will go through a short period of re-ablement, before their need for ongoing services is assessed and that this will result in significant savings.

Our long-term strategy for Children and Families is about more support for people in the very early stages of difficulties and more intensive, targeted help for families with more complex needs. These services in combination will help to reduce the pressures on and costs of child and adult protection services and wider Council services. At the same time, we will continue to focus on reducing the number of expensive external foster care placements.

For both Adult and Children's Services, we will also improve customer access, so that we can resolve more enquiries at the first point of contact, signpost people to sources of community support and develop a comprehensive menu of self-service options accessible via the Council's Website that will allow people, who are able and willing to, to help themselves.

Looking at Environmental Services, our long-term strategy is to continue to offer a universal, defined standard of environmental maintenance across the Borough, with additional resources targeted at areas of greatest need. We will proactively engage with Town and Parish Councils to look at opportunities to work co-operatively to raise environmental standards at a local level. Building on the positive recycling performance across the borough we will

continue to work with residents and contractors to reduce costs on waste collection and disposal, whilst retaining high quality residential services.

In terms of our restructuring programme, our priority will be to keep compulsory redundancies to a minimum. We will continue to seek applications for voluntary redundancy through Service Area restructures and maximise every opportunity to redeploy people who might otherwise be made redundant. At the time of drafting this report:-

- 1,000 staff had been redeployed
- 351 had taken Voluntary Redundancy and
- 14 employees had been made Compulsorily Redundant

The introduction of the new Flexiwork Deal gives employees greater choice and influence over their working hours, for example the opportunity to reduce their working hours or take additional unpaid leave. This demonstrates that our approach is about working in a co-operative partnership with employees, particularly as these flexible working opportunities will not be imposed.

An enhanced Redeployee Support Programme has been made available to employees under notice of compulsory redundancy through the additional £600,000 allocated in the 100-day budget. This will provide personalised support and training for employees in this position thus enabling them to explore alternative options such as career change, developing key skills or self employment.

## 5.1 **INVESTMENTS.**

Our strategy is based on the principles of 'Developing spending plans that are based on and address the community's needs and priorities' and "Be open and transparent in how resources are spent across the Borough, but target spend at issues and areas where needs are greatest".

We clearly cannot, however, invest in everything. We have therefore had to identify where additional funding is most needed, based on the views and priorities of the community.

Our capital investment programme for the next 3 years is set out in the Capital programme report elsewhere on this agenda. The BSF programme has been reviewed and revised proposals were agreed at Cabinet on 10<sup>th</sup> November 2011. The impacts of this review are incorporated in these budget proposals as is the investment in the Ice Rink agreed at Cabinet in October 2011.

### Brookside:-

The proposed capital programme includes £6.15m in respect of improvements to Brookside. This proposal received a net satisfaction rating of 13% during the consultation process despite being limited to one part of the Borough. The Brookside area forms part of the Cooperative Council's pilot investment area. Work has already started with many avenues of investment and support for the Brookside area since May 2011. The proposed regeneration will

further support the Council's priorities to deliver significant change within Brookside. The first phase of the proposal relates to Brookside local centre. The existing shops, youth and community facilities are of very poor quality and require major investment to deliver a high quality development. The existing Brookside Local Centre was constructed in the form of a dark covered square of inward facing shops and community facilities. The layout is poor, the public spaces around the centre require investment and the facility is set away from main roads and through routes. The importance of the Local Centre to residents was evidenced in a 2008 survey in which over 90% of respondents agreed that the Centre needed to be improved with new shops and better facilities for young people. Recent engagement through the pilot has identified that improvement of the local centre continues to be a high priority to residents. The proposal will be developed with the local community and could include the following:

- Activities (community, retail and social) could be grouped together in one area in order to create a proper focus and 'heart' for the Centre of Brookside. The grouping of facilities could be around an area of high quality public realm.
- Accessibility could be improved to the Centre by creating a through route which will improve the viability of the Centre and creation of high quality public spaces.
- Land and building assembly surrounding the local centre could further improve the public spaces and facilitate low density development in the future.

The existing capital programme has been reviewed and in order to limit new prudential borrowing to a maximum of £3.0m a number of changes are proposed to the existing capital programme that could be switched to help fund a regeneration scheme in Brookside. This review has identified £2.175m of existing planned spending from schemes which are considered a lower priority than investing in the regeneration of Brookside. It is also proposed that £0.5m of additional capital receipts will be raised from the sale of other assets not currently included in the planned disposal schedule. The balance of the scheme will be funded from new prudential borrowing but limited to a cap of £3.0m. This gives a maximum net funding envelope of £5.675m with any balance between the projected cost and this funding being made up from the sale of directly associated surplus assets and investment by the Council's Property Investment Portfolio of up to £0.15m.

Brookside is the Cooperative pilot ward and as such the Council will work closely with all partners to deliver a major improvement across the Brookside area but starting with the centre. There will be a strong focus on public consultation with residents of Brookside making key decisions about the change in the centre, although the overall cost envelope will remain the same. The items above are possible areas of investment, the exact approach will be developed with the community with the solution designed and developed together. The investment relating to Brookside was the subject of a Cabinet report during January 2012.

### Ironbridge Gorge Stability Project:-

The Council is in discussion with Government over funding the cost of works to stabilise parts of the Ironbridge Gorge. The Government have made an offer to fund 60% of works costing up to £20m but expect the Council to fund the remaining £8m. The only option available to fund this cost would be to incur additional borrowing and this would increase the Council's revenue costs by around £0.6m pa which, given the scale of cuts to our grants being made by the Government is not affordable. However, the Council have made a counter-offer that takes in to account the very considerable investment already made by the Council in the works to stabilise the Gorge which would involve the Council funding £5.6m of expenditure phased as follows:-

	£m
2012/13	0.2
2013/14	0.3
2014/15	0.5
2015/16	<u>4.6</u>
Total	5.6

The revenue costs of this proposed investment are incorporated into the budget and the scheme is included within the capital programme included elsewhere on this agenda. Negotiations will continue with Government and an update will be brought to members in due course.

### Capital Receipts:-

The investment programme is now dependent on around £110m 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.

## **5.2 SAVINGS.**

Over the five years up to and including 2011/12, savings of over £28m have already been made. As stated earlier, over the period covered by this medium term financial strategy the Council has been looking to identify savings proposals of at least 20% across its budget. The 20% target figure has been 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, making savings through better procurement and delivering services in new ways. However, further savings over and above the 20% target are going to be required and difficult choices will need to be made with cuts to services being unavoidable

given the scale of the financial challenge facing the Council. Schedules showing the targets and phasing for reductions of 20% to staffing and non staffing budgets are attached as Appendices 3 - 5. Appendix 6 details the non-staffing savings analysed between proposals for

- additional income,
- operational efficiencies,
- savings from procurement,
- reductions or changes to services

for the coming three years.

Since the Service & Financial Planning report was considered at Cabinet in December the key changes made to the service and financial planning strategy are:-

	<b>12/13 £000</b>	<b>13/14 £000</b>	<b>14/15 £000</b>
Additional cost of Continuing Health Care cases built in to projected budget	600	600	600
Additional contribution from the PCT towards adult social care costs	-1000		
Reduction from assuming that pay awards are limited to 1% in line with the Chancellors comments in the Autumn Statement and that the cost of pay awards are found from within service budgets through savings from natural wastage rather than provided for centrally		-960	-1920
Rolling programme of further reviews to generate savings from improved procurement over and above the savings already assumed		-1000	-1250
Target for additional income to be generated from a review of fees and charges over and above that assumed in current savings proposals (broadly an annual inflation increase with some implementation of new charges/removal of some subsidies) – First review to be implemented by 01/10/12 and then annually from 01/04/13	-330	-1320	-1980
Review of budgets (staffing and non-staffing) in some targeted areas and savings from VRs over and above that needed to cover any pay awards	-550	-1250	-1250
Changes in response to consultation feedback	68	70	120
<b>Total</b>	<b>-1212</b>	<b>-3860</b>	<b>-5680</b>

Detailed proposals will be developed to achieve these targets over coming months and will be impact assessed and consulted upon as appropriate.

The proposals in Appendix 6 total £9.48m gross in 2012/13 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. After allowing for this “leakage” away from the main General Fund budget, a net figure of £8.899m is expected to be available to support the General Fund budget from the proposals detailed in Appendix 6 in 2012/13. Further proposals totalling a further £12.25m (net) and expected to be delivered in 2013/14 – 2014/15 are also detailed in Appendix 6.

In addition, the Council’s staff restructure programme which is aligned with the service review programme is expected to generate savings of £9.59m (£8.158m net) next year with a further £0.3m net to be delivered in 2013/14 as detailed in Appendix 4.

To identify savings and efficiencies, we have been carrying out a rolling programme of restructuring and service reviews. Our approach has been based on the principle of ‘deliver efficiencies and savings, as far as possible minimising the impact on the quality of services, particularly through improving our approach to procuring goods and services’. 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:

- Implementing further reductions to the number of senior managers and the pay of the most senior managers. The number and cost of senior management posts will have been more than halved over the last 3 years saving £2.15m pa)
- Cutting down the number of buildings we use and reducing repair and maintenance
- Spending less on equipment etc;
- Renegotiating contracts.

We have also looked at our fees and charges. Our savings package includes a number of proposals relating to fees and charges totalling £0.927m in 2012/13. 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. As referred to above, an assumption has now been built in that fees and charges budgets will be increased by an average of 1.5% across the board for the medium term planning period over and above any increases already put forward as savings proposals. The first increase will be applied from mid 2012/13 and then annual increases will be applied from the start of future financial years. A 1.5% increase in fees and charges budgets would generate around £0.66m pa in a full year if applied across the board. Clearly it will not be possible or desirable to increase some fees and charges budgets and so the rate of increase could be nil in some areas provided that higher than average increases were applied in other areas. Proposals will be

developed for consultation where necessary following a review of income budgets.

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 2012/13 are included in Appendix 6.

The Council has built up a significant reserve since 2007/08 towards the costs of single status. During 2011/12 no further contribution to this reserve was made on the basis that it was considered that adequate provision had been made. It is now proposed to make no further contribution during 2012/13 or 2013/14 but to leave the ongoing additional funding in the base budget for 2014/15. However, whilst the budget currently includes ongoing provision of £2.8m pa for the cost of implementing single status this allowance will be reduced by 20% to reflect the significant reduction made in the workforce as a result of restructuring. The cost of moving away from fixed grade points, an early associated decision with an initial estimate of the cost being in the region of £0.2m in 2012/13 and £0.4m in 2013/14 will also be funded from this budgetary provision on an ongoing basis. The position will continue to be regularly monitored. Not making additional provision during 2012/13 will generate a benefit of around £2.6m on the General Fund budget (net of the cost of deletion of fixed grade points). The one-off cost of the £0.6m support package agreed as part of the 100 day budget review will also be funded from this budget leaving a net amount of £2.0m available in 2012/13. A benefit of £2.4m will arise in 2013/14 (£2.8m base budget contribution less £0.4m - initial estimate of the cost of deleting fixed grade points). An ongoing benefit of £0.5m has been assumed from 2014/15 to reflect the reduction in the size of the Council's workforce as a result of restructuring. A further benefit of around £0.2m on the Dedicated Schools Grant funded budget will be available for the period 2012/13 through to 2013/14.

As reflected in 2011/12 financial monitoring reports, considerable work has already been undertaken in the current financial year pulling the implementation of savings proposals forward and holding posts vacant pending the implementation of restructures. As reported in the Financial Monitoring report, around £0.58m from non-staff budgets and £0.6m from staffing budgets will be available from this early action as a one-off contribution towards the budget strategy for next year. In addition, other benefits flagged in the 100 day budget review and financial monitoring reports can be carried forward from 2011/12 in to 2012/13 to create a total one-off contingency of around £2.145m. A risk assessment of all the 2012/13 savings proposals has been undertaken and high level action plans prepared for those considered to be high risk. These action plans will be monitored on a regular basis throughout the year. One of the greatest areas of risk is the safeguarding savings target of £0.25m from the placements budget which is anticipated from a budget which is currently significantly overspent. However, the creation of the one-off corporate contingency of over £2m will help protect against any shortfall against delivery of savings proposals in 2012/13.

### **5.3 COUNCIL TAX.**

Council Tax in Telford & Wrekin in 2011/12 is again the lowest in the Midlands region for the services this Council provides (£129.38 lower than the Midlands average at Band D in 2011/12 and £332 below the highest in the Midlands region). It is also significantly below the national average for other unitary authorities (£114.29 pa lower than the unitary authority average at Band D in 2011/12) being the sixth lowest for a unitary authority in the country.

If the Council charged council tax at the average rate paid in the rest of Shropshire the Council would receive an additional £4.145m pa. If we charged at the average rate of other councils in the Midlands region we would raise an additional £6.643m. This shortfall in income, together with the shortfall arising from grant damping (c. £1.9m) and the under-estimate of our population by ONS (c. £2.8m) places further pressure on services that the Council is able to afford to provide.

Whilst council tax is low compared to that charged by other councils, it is clearly a very significant bill for local households and the council understands the pressure that household budgets are under. However, the council is facing cuts of around 40% in real terms in the grants that we have previously received from the Government due to the deficit in the national finances and the Council has consulted on a wide range of cuts to services having made considerable savings from back-office functions (33%) and other areas that don't impact directly on front line services.

In the current financial year there was no increase in council tax as the Council decided to take the council tax reduction grant paid by the Government for a 4 year period but which will cease to be payable from 2015/16 presenting a financial shortfall in that year which will mean that the Council will have to make further savings to cover the loss of this income.

For next year, the Government has announced another grant payable if councils freeze council tax again. However, the Government's offer for 2012/13 is different. This time, the offer of funding to councils that freeze council tax is a one-off grant, and will only be provided for one year. Councils that accept the grant will be left with a "black hole" in funding in every successive year. For Telford & Wrekin that shortfall would equate to £7m over five years. Councils would have to make up this shortfall through further cuts or higher increases in council tax.

The Council recognises that these are challenging times for council taxpayers but taking account of the above issues and in line with the responses received from the extensive consultation undertaken on the three options put forward for consideration by the community, the soundest option is to decline the Government's offer and, instead, increase council tax by 2.5 per cent for 2012/13. This will make the Council's budget more sustainable over following years and avoid some of the most damaging cuts that would otherwise have to be made to front-line services.

This means the authority would not have to increase council tax by up to 3.5% in subsequent years and the Council will commit to increases of 2.5% pa for the following 3 years as part of a sustainable medium term financial strategy.

This increase equates to 41 pence per week for the average property in the Telford & Wrekin area next year and is an increase of around half the current rate of inflation (RPI for December 2011 was 4.8%).

An increase of 2.5% will mean that council tax in this area will still remain amongst the lowest in the country and is likely to be the third lowest in the Midlands (just over 1% higher than the lowest). Band D Council tax in Telford and Wrekin is still likely to be more than £50pa cheaper than the average in the Shropshire Council area. Graphs showing the comparative level of council tax in this area assuming that all other authorities accept the council tax reduction grant (which is unlikely to be the case) are included as Appendix 10.

#### **5.4 BALANCES AND CONTINGENCIES.**

Appendix 7 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 £3.698m available as part of medium term budget strategy considerations at the start of 2012/13. This is after setting £0.25m of General Fund balances aside in order to allow greater freedom and flexibility in managing the leisure services budget.

In addition, to the available balances, the Council is also projected to start next year with a one-off contingency fund of £2.145m which has been set aside during the current financial year to supplement the base budget contingency of £1.6m on a one-off basis in 2012/13 as referred to above and in the financial monitoring report. This one-off contingency may potentially be supplemented further with any available further underspends at the end of 2012/13. Additional contingency is provided for general inflationary pressures of 3% on non-pay budgets for 2012/13 (of £2.5m after allocating £0.9m to Adult Social Care as referred to in recommendation 2.3) and 2% for future years. No allowance has now been included for pay awards in 2012/13 or future years with any pay awards needing to be funded from within cash limited service budgets through vacancy assumptions/natural wastage. This provision for inflation is currently held centrally as a specific inflation contingency pending confirmation of the minimum amounts that will need to be allocated to services in order to achieve a realistic budget during these years. Contingencies at this level will help the Council deal with unexpected variations or some delay in implementing savings proposals.

#### **Invest to Save Reserve:-**

The council created a revenue "Invest to Save" reserve as part of the out-turn process for the 2006/07 accounts. The balance was transferred to the redundancy costs provision in the 2011/12 budget and to compensate a Capital Invest to Save reserve of £0.5m (which is less flexible as it can only be used to fund spending of a capital nature) was created. As part of the

service and financial planning proposals launched for consultation in December this funding was transferred to help fund the proposed capital investment in Brookside. The financial monitoring report elsewhere on this agenda recommends the creation of a revenue Invest to Save reserve of £0.5m from the underspend in the current financial year.

## **5.5 SUMMARY OF STRATEGY:-**

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 since the proposals approved for consultation by Cabinet in December. In summary they are:

- Given the high levels of support for a limited council tax increase, to increase council tax by 2.5% in 2012/13 and to commit to increases at this level in the following 3 years.
- To complete the organisational restructuring programme and to deliver the savings set out in Appendices 3 to 6 with further specific consultation with service users where appropriate.
- To address the greatest service pressures our limited revenue investment will focus on the re-investment of £2.5m savings from Adult Care back in to social care services for Adults.
- Our capital investment programme focus continues to be transforming and improving the Borough, for example investment in schools, highways and regenerating the Town Centre and Brookside. As well as new investment in Brookside, provision has also been made for investment in the stabilisation of the Gorge subject to the successful conclusion of negotiations on the funding package as set out in the Capital programme report on this agenda.
- Use £1.39m of available General Fund balances leaving a projected figure of £2.3m available General Fund balances at the end of 2012/13.

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 a detailed grant allocations for 2012/13 pending implementation of the Local Resource Review which will radically change the local government finance system.

<b>Projected Budget Gap</b>	<b>12/13 £m</b>	<b>13/14 £m</b>	<b>14/15 £m</b>	<b>15/16* £m</b>	<b>16/17* £m</b>
Base Budget gap See Appendix 2	21.847	31.635	34.306	40.366	47.076
2011/12 – 2014/15 Tax reduction grant ceases to be paid from 2015/16 onwards				1.400	1.400
Savings proposals including additional income – see Appendix 5 (net)	-8.899	-17.067	-21.151	-22.541	-23.931
Savings from staff restructure (net)	-8.158	-8.483	-8.483	-8.483	-8.483
Single status provision – cease funding for 12/13 and 13/14, net of costs.	-2.000	-2.400	-0.500	-0.500	-0.500
<b>Total Projected Budget Shortfall before use of balances and Council Tax increases</b>	<b>2.790</b>	<b>3.685</b>	<b>4.172</b>	<b>10.242</b>	<b>15.562</b>
Council tax increase of 2.5% in 2012/13 and similar increases in later years	-1.400	-2.800	-4.200	-5.600	-7.000
<b>Restated shortfall before use of general balances</b>	<b>1.390</b>	<b>0.885</b>	<b>-0.028</b>	<b>4.642</b>	<b>8.562</b>

\* Projections beyond 2012/13 have a high degree of uncertainty due to the unknown impacts of the Local Resource Review and projections beyond 2014/15 are more uncertain still as they fall outside the current CSR period.

## **6. ROBUSTNESS OF THE FINANCIAL STRATEGY AND LEVELS OF RESERVES & BALANCES**

Under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer (CFO) is required to report on the adequacy of the Council's reserves and balances and on the Council's financial strategy including the use of balances and of the financial planning process and the Council must have regard to this report when agreeing the medium term financial strategy.

Appendix 8 gives a more detailed view, but overall the conclusion is that given the planned programme of service reviews and accompanying organisational restructures which have been under way for some time now and underpinned by the proposed council tax strategy, it is considered that the Council is

pursuing a sound financial strategy in the context of the most difficult financial position it has ever faced.

In order to deliver a robust medium term financial strategy given the

- low starting level of council tax to deliver council services when compared to other councils
- high level of up front grant cuts faced by the council
- impact of cumulative capital programme investment decisions
- low level of residual balances
- greater uncertainty over future funding streams
- rising and ongoing pressure on services

a strategy of low level council tax increases is considered to be a more sustainable and financially prudent approach than use of further one off council tax reduction grants which only delay the decisions which need taking.

## **7. BACKGROUND PAPERS**

- Comprehensive Spending Review Announcements – Treasury Website
- Revenue Support Grant Settlement Announcement – CLG Website
- Service & Financial Planning Report to Cabinet – 11<sup>th</sup> January 2011
- Service & Financial Planning Report to Council – 3<sup>rd</sup> March 2011
- Economic Update dated 30<sup>th</sup> November 2011 from Arlingclose
- 100 Day Budget Review report to Cabinet – 26<sup>th</sup> July 2011 and 10<sup>th</sup> November 2011.
- Service & Financial Planning Report to Cabinet – 22<sup>nd</sup> September 2011
- Service & Financial Planning Report to Cabinet – 22<sup>nd</sup> December 2011
- Consultation survey responses, feedback and notes from consultation meetings
- Chartered Institute of Public Finance & Accountancy guidance for Chief Financial Officers.

**Report prepared by:-**

- **Ken Clarke, Assistant Director: Finance, Audit & Information Governance - Tel: (01952) 383100**
- **Jon Power, Delivery & Planning Manager, Tel: (01952) 380141**
- **Andy Challenor, Community Engagement and Equalities Manager, Tel: (01952) 385103**