

TELFORD & WREKIN COUNCIL

COUNCIL – 7 MARCH 2013

SERVICE AND FINANCIAL PLANNING 2013/14 TO 2015/16 OVERVIEW AND REVENUE BUDGET REPORT

REPORT OF THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER

PART A) – OVERVIEW REPORT

1. Introduction

This report seeks approval of the Service & Financial Planning strategy for the three year period 2013/14 to 2015/16 with specific budget proposals for 2013/14. This overview report, along with other reports on the agenda covering:-

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

form the Council's overall Medium Term Service & Financial Planning framework and proposes the service priorities and budget for 2013/14 as well as savings proposals that will be delivered over the next three years and a medium term capital programme.

The Council published its draft budget proposals for 2013/14 on 5th January and they were approved at Cabinet on 10th January when a one month consultation period commenced. The results of the consultation exercise are included in this report.

2. Summary of the main proposals in the Draft Budget report issued for Consultation.

Despite the considerable financial challenges faced by the Council arising from cuts to the funding we receive from Government, estimated at £40m in real terms over the life of this Parliament, inflation and increased demands for many services, the report set out a clear mission to attract new jobs and investment and promote growth in the borough, while seeking to protect as far as we are able many priority front-line services working co-operatively with our residents and partners. However given the scale of the Government's cuts to the Council's budget, some service reductions are clearly inevitable.

While many other councils have already implemented very significant cuts to essential front-line services and stopped major building projects, we continue to invest in projects to ensure the future prosperity of the area and its residents:

- Our £250m Southwater scheme, kick-started by Council investment – this time next year new bars, restaurants, an 11-screen cinema and hotel creating around 200 new jobs will be about to open, creating a big regional leisure attraction
- Refurbishment of Telford Ice Rink and improvements to Telford Town Park
- Nearly £200m invested in Building Schools for the Future which will see seven new secondary schools re-built, alongside new or refurbished community leisure facilities
- We're making it even easier for businesses to come here and grow, offering support to attract new firms and help create new jobs
- Safeguarding our children and young people and our most vulnerable adults, particularly in the current climate where economic pressures on many families are growing,
- Investing in land stability schemes to protect the Ironbridge Gorge – the area's biggest tourist attraction and the West Midlands region's only World Heritage Site
- We're continuing to regenerate areas such as Brookside, Hadley and Oakengates

We're also protecting as far as possible key services. We are committed, working co-operatively with our residents, parish and town councils and other partners to:-

- High quality waste collection and recycling services
- Good standards of litter collection and maintenance of roads and pavements
- Providing a good level of library provision and enhancing customer service by including "First point" services in our main libraries
- All council-owned car parking spaces are free in all the Borough Towns for our residents and we're committed to keep it this way – unlike many other councils
- We're enhancing not cutting our leisure centres so that everyone in the community can use these helping us to improve the health and well-being of local people
- We offer free swimming for under 16s
- For the first time ever, we have given a 3 year core grant settlement to our key voluntary sector partners; co-operating with them for the benefit of our residents.

Continuing to deliver economic and housing growth is vital if we are to seek to continue to protect and maintain many services across the Borough at their current level. Also, creating employment opportunities is essential, not just to grow the local economy, but to give many people and families opportunities to address the financial difficulties that the Government's welfare reforms will undoubtedly bring them.

The draft budget proposals included:-

- A capital programme totalling £287.3m over the medium term with a projected programme of £79.67m next year. This included £1m for a

new Commercial and Business Fund to invest in new commercial initiatives with the intention of generating profits to support the provision of existing services in the face of a pro-longed and very significant withdrawal of Government funding for the Council.

- £0.15m for “Destination Telford” initiatives to promote Telford as a place to visit, live, work and invest in. Under the new localisation of business rates proposals, the Council will receive 49% of any increased business rates generated within the area as well as receiving council tax and New Homes Bonus from new housing developments.
- Investment of £0.6m in to the childrens’ safeguarding budget for 2013/14 to help protect children at risk of harm and neglect.
- Investment of £0.15m in to the winter maintenance budget.

The report also contained savings proposals totalling £8.611m in 2013/14 rising to £15.643m by 2015/16 and a proposal to increase council tax by 1.9% in 2013/14 and the following two years.

3. Changes since Draft Budget proposals were approved for Consultation.

The Government was exceptionally late in issuing the provisional local government finance settlement which was made available between 19th December 2012 and early January 2013 with the Public Health grant allocations not being received until 10th January 2013. The Public Health grant allocation of £10.6m exceeded the projected range of between £8.2m and £10.4m. The council has also updated its projections of business rates income for 2013/14 with an increased projection of £0.34m) and been notified that the funding transfer from the NHS to social care for 2013/14 will be increased compared to the 2012/13 figure by £0.74m.

On 4th February the Government issued the final local government finance settlement for 2013/14 and whilst there was only a very minor change (£0.001m) in the revenue support grant allocation, an additional one-off allocation of £0.286m New Homes Bonus has been announced for 2013/14. These changes have therefore resulted in some restatement of the forecast budget gap for 2013/14.

The financial monitoring report also on this agenda establishes a £2.5m revenue contingency for 2013/14 from projected underspends in the 2012/13 budget. However, this report also identifies that the safeguarding overspend has increased to £3.1m from £2.8m previously reported. The Council must set a robust balanced budget and safeguarding is a volatile demand led budget which can be significantly affected by changes in the overall numbers of children in care or increases in the number of sometimes very expensive residential placements. Even before this latest increase in the level of the projected overspend on the safeguarding budget, the Budget and Finance Scrutiny Committee had expressed doubts over whether the Safeguarding and Early Help Cost Improvement action plan would be fully delivered. It is therefore considered prudent to create a one off additional budget contingency for 2013/14 of £1.3m following robust modelling of the projected

cost of safeguarding children in 2013/14 based on the latest available placement information and discussions with the Assistant Director of Safeguarding. The impact of identified savings resulting from actions within the Safeguarding and Early Help Cost Improvement Plan has been reflected in this model and will continue to be closely monitored. The contingency is required to fund the impact of the normal level of anticipated admissions throughout the year, additional pressures from the benefit changes and an allowance for the transfer of costs to Adult services of those young people moving into semi independent living. The funding from this one off contingency which will be held centrally will only be released following a review and approval process by the Cabinet.

The Council will clearly need further ongoing savings and given the high proportion of the budget spent on employees further redundancies are inevitable. The Council will do all that it can to minimise the need for redundancies through active vacancy management and redeployment, minimising the use of agency workers and consultants and will continue to seek voluntary redundancies where-ever possible. However further redundancy costs will be incurred and therefore this report also recommends that a sum of £1.219m is transferred in to the severance fund to facilitate further ongoing savings from reducing employee numbers.

4. Consultation Activity and Feedback:-

As in previous years, communicating and engaging with the community on our future plans was a key part of the budget process. The budget consultation undertaken during 2011-12 helped to establish the principles and policy direction for a three year strategy. This required a broad range of inputs, over 7,000 comments and ideas were received from people across the borough which significantly influenced the overarching approach to service and financial planning. This year we asked for people's views on our overall approach to ensure that it still protects and develops what the community thinks is most important and assessing whether there is broad support for the proposed savings and council tax strategy given the very challenging circumstances that we are now operating within.

We began to communicate and engage with local people immediately after the publication of the draft budget strategy on 4 January 2013 and formal consultation began after the Cabinet meeting on 10 January 2013. Our communication and engagement plan included:

- Using "Your Voice" to communicate the main budget proposals with the aim of informing every household in the Borough;
- Signposting opportunities for people to get involved and give their views on the budget strategy;
- An online budget survey on the budget page of the Council website;
- Opportunities to use Facebook, Twitter, and invitations to write in, ring in or text in views and comments;
- A postal survey of the Community Panel (comprised of 1,252 local residents who act as a sounding board to inform the Council's policy and service development);
- Meetings with a range of groups and organisations;

- An open public budget consultation event at The Place, Oakengates on January 16;
- Ongoing press releases;
- A meeting with the Employee Joint Information and Consultation Forum (JICF)
- 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.

An open public meeting was held on 16 January at The Place @ Oakengates Theatre at 6pm. The event was promoted in the press and Your Voice and a number of posters and flyers were distributed across the Borough. The open public meeting was a mix of a presentation outlining the budget plans and an opportunity for those in attendance to visit a number of information stands and speak with the Leader of the Council, Cabinet Members, the Managing Director, Assistant Directors and Senior Officers. Total number of members of the public in attendance = 66 local people.

The Cabinet Member for Resources and Service Delivery, the Chief Finance Officer and relevant Assistant Directors attended a number of local groups and forums including:

- Telford and Wrekin Parish Forum = 30 in attendance
- Senior Citizens Forum = 120 in attendance
- Telford Business Board = 15 in attendance
- Taking Part Forum = 33 in attendance
- Chief Officers Group = 10 in attendance
- Joint Information and Consultation Forum (JICF) = 4 in attendance
- Parents Opening Doors – PODS = 18 in attendance
- Young People's Forum = 12 in attendance
- Ketley Bank Residents Association = 11 in attendance
- Carers Partnership Board = 13 in attendance

Total number in attendance = 266

A number of other forums and groups were approached to receive a budget presentation. Where they were unable to host the Council they distributed the information to their members.

The consultation period ran through to 10 February 2013 in order that careful consideration could be given to the views expressed by the Council's Cabinet when preparing their final report and recommendations to full Council.

4.1 Summary of the consultation findings

Following notification of the Council's 2013/14 financial settlement from government, the Council developed a proposed 2013/14 budget building on the medium-term service and financial strategy developed for 2012/13.

The 2013/14 budget continues the organisation's focus on continuing to attract new jobs, investment and promoting growth in the borough while

protecting as far as possible Council Services. In response to the financial pressures on public services in the Borough, the Council has also developed a Fair Deal Campaign to ask Government to provide funding which better reflects the level of service demand and growth potential in the Borough.

To understand the community's views on these two elements, a programme of public consultation was undertaken from early January, closing February 10th as outlined above:

Our consultation activities explored two key themes:

1. Our plans to encourage jobs, growth and protection of front-line services, including £250m investment in the Southwater Scheme, £200m Building Schools for the Future programme and working to make it easier for businesses to come here and grow, offering support to attract new firms and help create new jobs.
2. A proposed Fair Deal Campaign for Telford and Wrekin as we consider that the Council has 'disproportionately' lost out in the Government's funding cuts to local authorities, loses as a result of an undercount of our population and through the grant damping mechanism, which means the government withholds money that it calculates the Borough should receive and reallocates it to other authorities.

In total some 1,539 people were involved with this consultation programme, building on the 7,000 comments and ideas we received in 2011/12 to shape our medium term service and financial strategy. A full consultation findings report can be found at Appendix 5.

The Council's plans to encourage jobs, growth and protection of services were broadly supported across the consultation:

- **96% of Community Panel respondents**
- **72% of public respondents to an online survey and article in 'Your Voice'**
- **70% of participants at the budget public consultation event at The Place.**

The most common stated reasons by a small number of participants for not supporting these plans were 'concern over growth plans and in particular, whether the Council should be investing in the Southwater scheme' (Community Panel respondents) and opposition to the proposed Council Tax increase (Public survey respondents).

The Council's campaign for a Fair Deal for Telford and Wrekin was also broadly supported across the consultation:

- **95% of Community panel respondents**
- **82% of public respondents**
- **87% of budget consultation event respondents**

The most common reason for not supporting the campaign was concern over the current or future level of Council Tax and that the short-term council tax freeze grant should be taken from the government.

Throughout the consultation period we responded directly or in writing to questions, concerns and issues raised by local people. A range of responses will be published on the Council's website at www.telford.gov.uk/budget. A progress report on this will be presented to Cabinet in May.

5. Role and Contribution of the Voluntary and Community Sector

The Voluntary and Community Sector (VCS) makes a significant contribution to the delivery of services to residents of Telford and Wrekin particularly in relation to prevention and low level intervention . VCS organisations deliver a wide range of services and vary from small local organisations that target a specific area or client group to large nationally recognised organisations, the annual income of these organisations varies between around £10,000 to over £1 million per year.

Although the Telford and Wrekin Voluntary and Community Sector Chief Officers Group (COG) have tried to capture the value of the sector within the Borough it has been difficult to do this. This is partly due to the number of organisations who work across the whole of Shropshire, and also because it is notoriously difficult to capture the total value that the VCS brings to an area. Further information on the role of the COG and a range of the VCS organisations within the Borough can be found at www.cog.tandwcvcs.org.uk/index.html

Telford & Wrekin Council values the contribution that is made by these organisations in the Borough through the services that they deliver and the role they play in helping to identify and address the needs of the community within Telford and Wrekin. These organisations are supported by a large group of volunteers who bring both their own experiences and extensive knowledge of local community issues to the services they support. The Council is committed to working with the VCS in the Borough and has taken a number of steps over the past twelve months to strengthen this relationship including;

- Working with the VCS to develop a 'Voluntary Sector Commissioning Framework' which will be implemented from April 2013.
- Attending the COG to discuss the Council's budget strategy, this identified the need for an ongoing strategic dialogue with the VCS about the Council's budget strategy. The appropriate mechanism for this dialogue will be agreed with the COG.
- Reminding Council services of the need to meet Best Value Guidance in relation to funding the VCS

6. Pressures Facing the Council:-

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

- Projected grant cuts of at least £27m (or over £40m in real terms) over the period of the current Parliament with indications that cuts will continue at this rate until 2018/19.
- The geographical distribution of these cuts has not been even. Appendix 1 demonstrates this graphically. Out of 324 council areas in England, Telford & Wrekin is in the worst quarter in a league table showing the estimated change in funding by local authority area from 2010 to 2013.
- This area also has comparatively low property values. In a league table of “tax base strength” produced by Stoke-on-Trent City Council, we rank 229th lowest out of 324 English local authorities.
- As well as low property values, we also have comparatively low council tax levels with Council tax at Band D in Telford & Wrekin being the third lowest in the Midlands region (only 1.1% more than Birmingham which has the lowest). If Telford & Wrekin levied a council tax equal to the average in the Midlands region we would generate an additional £5.58m p.a.
- The transfer of significant levels of financial risk to the council from the Government through the localisation of council tax support and localisation of business rates. The financial health of the council will therefore be closely correlated with the health of the local economy in future.
- The transfer of £8.5m pa costs relating to Continuing Healthcare cases from the Primary Care Trust.
- Growing numbers of older people needing care and support.
- The withholding of 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 £1.6m due to the methodology used by ONS to estimate population between annual censuses.
- Pressures caused by the recession which increases demand for some services e.g. homelessness and the 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.
- Limited available reserves. The Council is projected to have just £3.67m of usable balances remaining at the start of 2013/14.

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.

Projected Annual Cost of Borrowing	2013/14 £m	2014/15 £m	2015/16 £m
• Interest repayments	4.330	3.610	3.200
• MRP (Principal) repayments	5.293	4.831	4.631
• Debt held by Shropshire Council on behalf of Telford & Wrekin	1.955	1.847	1.763
Total	11.578	10.288	9.594

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.

7. Action already taken:-

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

7.1 Staff

- Since 2009 the Council has reduced staffing levels by around 850 jobs. This saves over £20 million each year.
- We've reduced the number of senior managers by 55%
- Staff pay has been frozen since 2009
- We have cut the pay of the Council's most senior post by almost 20% and the pay of the next most senior tier of managers

7.2 Council buildings

- We are disposing of 24 council properties
- We have reduced our office space by one third, slashing running costs
- After paying for the smaller offices we have taken on in Telford Town Centre, which have lower running costs, this leaves us with several million pounds of capital money to reduce council debt and our debt repayment costs
- Overall this will help us save a further £2 million a year

7.3 “Back office” costs

- Since 2009 we’ve cut “back office” costs by over 35% – saving £6m. a year

7.4 Procurement

- We have saved £2.5m through renegotiating and retendering contracts. For example with our commissioning strategy for children in care we have focussed our attention on managing the market through strategic planning with our regional colleagues with the objectives of increasing the market; ensuring we have services of a good standard in the region and managing fees. As part of the West Midlands Commissioning Partnership we have embarked on a number of collaborative arrangements using our strength in buying power and now have two framework agreements in place, one sub-regional foster care framework contract with 6 local authorities and one regional residential contract across 13 local authorities.

7.5 Councillors

- Cabinet members voluntarily reduced their allowances by 10%
- A £40k.reduction in the cost of councillor allowances and expense claims in 2011/12 compared to 2010/11.

7.6 Shared Services

The Council continually review delivery options for its services to ensure value for money. A number of services are provided in partnership with other local authorities and statutory agencies. Examples include:-

- the recently established West Mercia Youth Offending Service established in partnership with Worcestershire, Hereford, Shropshire, health, police and probation. This will deliver savings exceeding £100k in 2013/14 for Telford. The new service will work closely with The Police and Crime Commissioner with genuine integrated working practices ensuring improved outcomes at a lower cost.
- Membership of a joint energy procurement consortium consisting of 4 upper tier authorities.
- We have for some years delivered some specialist services through a joint arrangement with Shropshire Council. Telford hosts educational psychology, sensory inclusion and portage whilst Shropshire provides a pan Shropshire adoption service.
- We also work with authorities across the West Midlands through our links to IEWM to put in place regional procurement contracts for agency foster care and residential accommodation
- Through a series of service reviews and by working with other local authorities we continue to explore further options for sharing services where it can be demonstrated that these will offer greater value for money.
- Working co-operatively with our Town and Parish Councils such as the Parish Environmental Teams and Library provision in Brookside and Stirchley, Great Dawley and other areas.

- Sharing the administrative costs of the pension scheme by participating in the Shropshire wide superannuation scheme

Our strategy is to continue to fight for a “Fair Deal” for the Borough and to do all that we can to continue to protect front line services. So far, we have focussed as far as possible on eliminating waste, removing duplication and unnecessary bureaucracy, streamlining management and improving procurement processes.

Clearly it is becoming increasingly difficult to make savings which will not have direct service impacts. It has to be noted that over 85% of the Council’s net revenue budget is spent on Adult Social Care, Children’s Services and Neighbourhood & Leisure Services so, given the scale of cuts being made by the Government to local government, some cuts in these areas are inevitable. The Council has a legal responsibility to set a balanced budget and in the face of an unprecedented period of significant and sustained year on year cuts to the funding it receives from the Government needs to identify ongoing savings or additional income sources to ensure that this requirement is achieved.

8. Savings, Severance Fund and Contingency for Safeguarding.

Despite the action already taken there is much more that needs to be done. After restating the budget gap to reflect updated information and specifically the impact of the changes referred to in section 3 above, the Council faces a budget gap of £7.106m in 2013/14 rising to an estimated £31.015m in 2015/16, although figures for this year are subject to a high degree of uncertainty as they fall outside the current Comprehensive Spending Review period.

Savings proposals are set out in Appendix 3 but will require some upfront investment. It is considered prudent to supplement the severance fund to help fund redundancy payments expected to be incurred during the coming year. As explained in section 3 above it is also considered prudent to establish a contingency for potential additional costs in the safeguarding budget to cover potential additional pressures arising from the April benefit changes and a potential allowance for the transfer of costs to Adult Services of those young people moving into semi independent living. This one off contingency will be held centrally and will only be released following a review and approval process by the Cabinet.

9. Council Tax.

The results of the consultation exercise reported above show strong support for the proposed budget strategy launched for consultation in January which included a proposal to increase council tax by 1.9% in each of the next 3 years. These results, offering broad support for a strategy that includes a moderate, below inflation, council tax increase in order to reduce the level of cuts to services that would otherwise be required, are not out of line with the results from the detailed consultation undertaken last year when 2,287 people responded to a specific question on whether the Council should accept a short term grant from the Government equal to a 2.5% council tax increase (£1.4m) or whether the Council should increase council tax. 63% (1,439

people) voted for either a 2.5% or a 3.5% council tax increase. As a result, for 2012/13 the Council increased council tax by 2.5%.

Despite the increase in 2012/13, council tax in this area is still the third lowest in the Midlands region being only 1% more than in Birmingham which has the lowest council tax in the Midlands. Our council tax at Band D level is £108 lower than the regional average and more than £300 less than in the Rutland Council area. If the council levied a council tax at the regional average £5.6m more would be generated to help deliver essential services. 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. A heat map comparing the disproportionate impact of the Government's grant cuts across the country is included as Appendix 1.

This area also suffers from a relatively weak tax base as the average property in the Borough is in Band B compared which is much lower than wealthier parts of the country where property values are much higher and where the ability to generate income from a much stronger council tax base is considerably greater.

The Government has again offered a short-term grant if council tax is frozen but this time this grant is worth the equivalent of only a 1% council tax increase (£0.58m or around 40% of the grant offered for 2012/13) and only a third the rate of inflation. (The January 2013 increase in the Retail Prices index is 3.3%). An increase of 1.9% equates to around 32 pence per week for the average home in the borough and represents a real terms cut in the level of council tax when compared to the prevailing rate of inflation.

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 consultation exercise, the soundest option is to decline the Government's offer and, instead, increase council tax by 1.9% for 2013/14. 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.

10. Summary of the Medium Term Financial Strategy:

Projected Budget Gap	13/14 £m	14/15 £m	15/16 £m
Updated Base Budget gap	7.106	20.959	31.015

Savings proposals – See Appendix 3	-8.611	-14.934	-15.493
Transfer to supplement severance fund to cover one-off costs associated with the delivery of ongoing savings	1.219	0	0
Creation of a one-off contingency for pressures in safeguarding budget	1.300	0	0
Commercial income/"business winning" approach	-0.100	-0.600	-0.750
Effect of 1.9% council tax increase each year for next 3 years	-0.914	-1.845	-2.794
Restated shortfall before use of general balances or further savings	0.000	3.580	11.978

11. Robustness of the Budget Strategy

The Council is required to set a balanced budget and 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 14 gives a more detailed view, but overall the conclusion is that given the planned programme of savings and the successful track record of having already delivered £41.7m of savings over the last 4 years 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
- the prospect of many more years of significant reductions to the funding that we receive from Government
- high level of up front grant cuts faced by the council
- impact of cumulative capital programme investment decisions
- low level of residual balances
- greater levels of risk over future funding streams
- increasing 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 short-term one off grants which only delay the decisions which need taking.

Recommendations approved by Cabinet will be considered at full Council on 7th March 2013 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 2013/14.

12. <u>RECOMMENDATIONS</u>

Members are asked to approve the following recommendations:-

- 12.1 The base budget summarised by Service Delivery Unit in Appendix 9a**
- 12.2 To consider the feedback from consultation summarised in Appendix 5 and from scrutiny in Appendix 6**
- 12.3 An increase of 1.9% in council tax levels in 2013/14 (32 pence per week for the average property in the Borough) and a strategy of increasing council tax by 1.9% in the following two years in order to maintain financial stability and to help protect the delivery of front-line services.**
- 12.4 The creation of a £1.3m contingency fund to offset pressures in the safeguarding budget, and potentially the adult services budget following the transfer of young people to semi-independent living. This contingency to be held centrally and only allocated after consideration by Cabinet.**
- 12.5 The 2013/14 net savings package of £8.611 detailed in Appendix 3 and the savings proposals set out in the appendix for future years.**
- 12.6 The transfer of £1.219m to the severance fund as detailed in the report.**
- 12.7 The earmarking of £2.5m underspends in 2012/13 as a one-off budget contingency for 2013/14 as detailed in the financial monitoring report also on this agenda. This amount may be increased further should the Council underspend at the end of 2012/13 as currently projected.**
- 12.8 The Education budget position set out in section 18 of this report**
- 12.9 The statement of the Chief Finance Officer in section 11 (supported by Appendix 14 outlining the robustness of the Budget Estimates and the Adequacy of Reserves.)**
- 12.10 The policy framework for Reserves and Balances outlined in Appendix 10**
- 12.11 The revenue implications of the medium term capital programme for the period 2012/13 - 2015/16 set out in the Capital Programme report also on this agenda.**
- 12.12 The Council's Pay Policy included as appendix 11 of this report.**
- 12.13 Subject to the savings proposals being accepted that the updated Care & Support Community Care Policy & Procedure Document**

included as Appendix 12b (amended to reflect the savings) be approved.

- 12.14 The Impact Assessments contained in Appendices 4a to 4d.
- 12.15 The Safeguarding and Early Help Cost Improvement Plan contained in Appendix 2
- 12.16 The Care & Support savings proposals and Public Health budget proposals contained in Appendices 12a, 13a and 13b.
- 12.17 Telford & Wrekin’s Local Council Tax Support (LCTS) scheme was approved by Council on the 22nd November 2012 and proposed that the funding gap would be met through a combination of changes to council tax exemptions and discounts and by applying a percentage global reduction in support given to less-vulnerable claimants. The global Local Council Tax Support scheme reduction now needs to be confirmed at 21% in line with the provisional agreement at full Council in November 2012.
- 12.18 A one-off sum of £0.065m should be earmarked to award discretionary discounts in cases of extreme financial hardship arising from the introduction of the LCTS scheme.
- 12.19 The deferment of auto-enrolment in the local government pension scheme for existing employees until 30th September 2016.
- 12.20 That authority to approve any expenditure to be funded from the £1m Capital “Commercial and Business Fund” and the £0.15m “Destination Telford” revenue budget be delegated to the Managing Director after consultation with the Leader and the Cabinet Member for Resources and Service Delivery.
- 12.21 In recognition of our valued relationship with Town and Parish Councils and in line with our cooperative working principles the full amount of LCTS grant attributable to Town and Parish Councils is passed on to them, reflecting the incidence of LCTS scheme claimants. In future years, the quantum of the grant to be devolved will be changed in line with the year on year percentage change in the Council’s Revenue Support Grant and the allocation between Town & Parish Councils will be updated annually to reflect changes in the incidence of LCTS scheme claimants.

13. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific priorities?	
	Yes	<i>The service and financial planning strategy is integral to ensuring that available resources are used as</i>

		<i>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 4. 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 the Appendix.</i>
TARGET COMPLETION/DELIVERY DATE	<i>A series of borough wide public consultation activities have been undertaken during January and early February. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered by full Council on 7th March 2013. The final agreed recommendations will be implemented during 2013/14 and future years.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<i>This report sets out the service and financial planning strategy for the council for 2013/14 and the medium term.</i>
LEGAL ISSUES	Yes	<i>This report develops the proposals for the Council's budget and policy framework and have been consulted upon in accordance with the Constitutional budget and policy framework procedure rules and related Council decisions that will, in due course result in the Council setting its budget and council tax levels by the March deadline laid down by the Government</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>This report sets out the strategy framework which includes consideration of corporate risks – particularly in relation to the</i>

		<p><i>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. 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 4d provides information on the environmental impacts of the budget proposals. The economic impacts of the proposals are also detailed in Appendix 4d.</i></p>
<p>IMPACT ON SPECIFIC WARDS</p>	<p>Yes/No</p>	<p><i>Borough-wide impact.</i></p>

PART B) – REVENUE BUDGET

14.0 OUR CONTEXT

The Cabinet approved a draft service and financial planning strategy for consultation covering the period 2013/14 to 2015/16 at its meeting held on 10th January 2013. These proposals were informed by the very extensive consultation exercises with local people which involved 7,442 contacts with local people in the previous year. In response to what the community have told us during these engagement activities and the challenges facing the Borough, the Council 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. **Put our children and young people first;**
2. **Protect and create jobs as a 'Business Supporting, Business Winning Council';**
3. **Improve local people's prospects through education and skills training;**
4. **Protect and support our vulnerable children and adults;**
5. **Ensure that neighbourhoods are safe, clean and well maintained;**
6. **Improve the health and wellbeing of our communities and address health inequalities;**
7. **Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing.**

As well as making progress in delivering these priorities, the Council's service and financial planning strategy has to be prepared in the context of the most challenging economic situation it has ever faced and very significant changes to the local government finance system as well as the transfer of significant new responsibilities to local government.

14.1 NATIONAL PRESSURES

The January Cabinet report highlighted a number of national pressures including:-

14.2 The Comprehensive Spending Review(CSR) and Cuts to our Grants from Government.

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 – over 3 times the level of spending reductions compared to the average reduction across all Government departments (over 27% cuts for local government compared to an average of 8.3%). These reductions would be in addition to the “in-year” grant reductions made in June 2010, shortly after the last general election, which totalled £3m revenue and £1m capital for this Council. After allowing for inflation, over this period these cuts amount to around £40m.

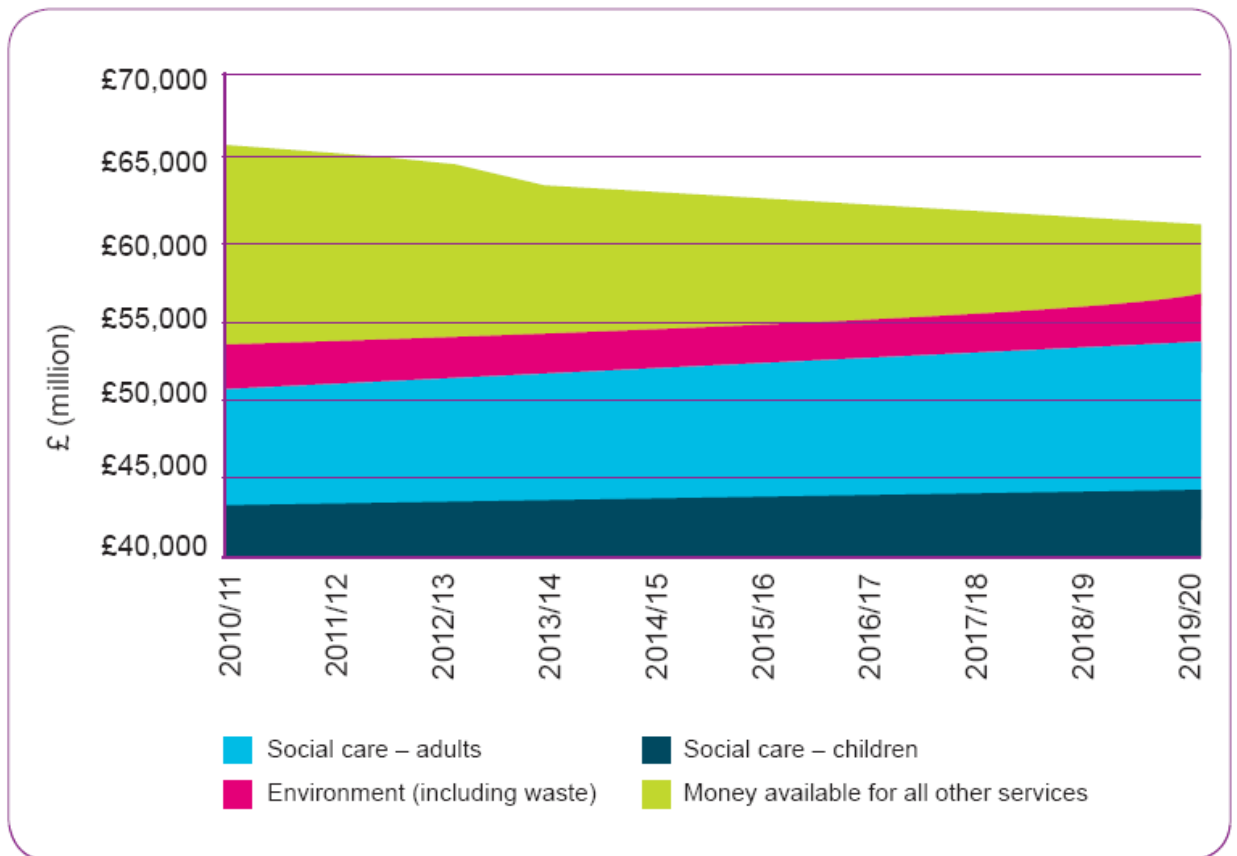
Whilst the position for local government over the period of the current CSR is extremely challenging, the impact of the cuts to Government funding are not felt uniformly across the country. There are very significant differences in the impact of the grant cuts announced so far with the north of England much more affected than the South East and Telford & Wrekin more significantly affected than neighbouring authorities. Appendix 1 contains a "Heat map" produced by Newcastle City Council on behalf of the Association of North East Councils which demonstrates this graphically. Telford & Wrekin is in 245th lowest place out of 324 council areas in England. Our neighbouring local authority areas of Shropshire and Stafford are in 175th and 198th place respectively so fare considerably better than us.

In June 2012, the Local Government Association (LGA) produced a report "Funding outlook for councils from 2010/11 to 2019/20". This report highlighted that councils were cut much earlier and harder than the rest of the public sector as the Government began to implement its deficit reduction programme. The report modelled what would happen to local government services if the same pattern of cuts to public spending is replicated in the next spending review and makes clear that if this happens councils will not be able to offer many existing services at the end of the decade.

The LGA predicted a likely funding gap of £16.5bn pa by 2019/20. On the assumption that social care and waste services are fully funded, all other services would face cash cuts of more than 66% by the end of the decade. If capital financing and concessionary fares are also funded in full, the LGA's modelled cash cut for remaining services rises to over 90%.

Clearly the announcements in the next spending review will be critical in determining what services this council will be able to deliver in future. It is also important that the Council reduces its dependency on government grant and develops independent sources of income. Government policy encourages councils to be "pro-development" with the payment of new homes bonus for up to 6 years for each additional home built in their areas and from 2013/14 the opportunity to retain a 49% share of additional business rates generated from new commercial and industrial development. This council will also investigate opportunities for acting in a more commercial way in some new areas of activity if these activities are likely to generate profits that can be used to help protect services to local people although this will not be without inherent risks which will need to be managed as effectively as possible.

A graph from the LGA's "Funding outlook for councils from 2010/11 to 2019/20" report is reproduced below with permission of the LGA. This identifies the potential changes in the level of funding available nationally for council services during the current decade.



14.3 Autumn Statement.

The Chancellor, George Osborne, delivered his Autumn Statement on 5th December 2012. After the annual budget statement each March, the Autumn Statement is the most important economic statement of the year as it updates estimates of growth, inflation, tax receipts, Government spending and the overall budget deficit.

The Chancellor announced that the UK deficit will be higher than forecast from the 2013/14 financial year onwards although lower in the current financial year. He also extended the deficit recovery period by a year to 2017/18.

Year	Previous Forecast of UK Deficit	Updated Forecast of UK Deficit
	£bn	£bn
2012/13	120	108
2013/14	98	99
2014/15	75	88
2015/16	52	73
2016/17	21	49
2017/18	0	31
Total over period	366	448

A further “spending round” was announced which will take place during the first six months of 2013 and will update spending allocations between Government departments through to 2015/16. The Institute for Fiscal Studies commented that ‘The big decisions over spending allocations for 2015/16 are promised in a Spending Review next year. But the outline of that review is beginning to take shape. Yesterday’s cuts will reduce benefit and tax credit spending by some £3.5bn in 2015/16. Protection for the NHS, schools and overseas aid was confirmed for another year. Roll forward to 2017/18, and if the NHS and schools continue to be protected, and no more welfare cuts or tax rises are found, then these unprotected spending areas – police, local government, defence, environment, transport – face cumulative real terms cuts of 16% in the three years to 2017/18’.

14.4 Changes to the Local Government Finance System

As well as the uncertainties over funding levels, the council is also facing major changes to the local government finance system which are being introduced with unprecedented speed. These include:-

14.4.i A new Business Rates Retention Scheme

The Business Rates Retention Scheme will replace the Formula Grant system of local government funding in 2013/14. The main features of this new and very complex system were explained in the January Cabinet report. The new scheme transfers significant financial risks to councils from central government and some of the original intentions of the new system such as encouraging councils to support growth in their areas have been watered down by the proposed “resetting” of the scheme in 2020 and the retention of only 50% of growth in business rates up to a level deemed to be “disproportionate” beyond which no additional growth is retained locally.

14.4.ii Council Tax Support Scheme

The Council currently administers the nationally prescribed council tax benefit scheme and receives a subsidy grant from the Department of Works and Pensions (DWP) in relation to benefits paid out, together with a grant towards the administrative costs of the scheme. The system is demand led i.e. an increase in eligible claimants leads to increased council tax benefit being paid and increased subsidy grant received by local authorities. Spend on Council Tax Benefits in this area was £14.7m in 2011/12. Councils were required to establish their own replacement Local Council Tax Support (LCTS) scheme by 31st January 2013, for implementation in April 2013. It was also announced that in making this change, the Government would cut the amount of grant paid to councils by 10%. Pension age claimants will be protected i.e. they will not experience a reduction in support as a result of these changes.

Council Tax Support is to be given as a council tax discount (i.e. a reduction in the council tax bill similar to a single person discount) with the reduced funding being provided via Government Grant. However, the grant is to be distributed through the new business rates retention scheme rather than being given as a separate identifiable grant so after the first year of the scheme we will not be able to identify how much grant we are receiving specifically for the

new local support for council tax scheme. Our best estimate is that we face an estimated funding shortfall of £3.1m for 2013/14 as a result of the introduction of the new scheme.

As the Government does not have a mechanism to provide funding to Parishes through the Business Rates Retention Scheme, the amount of grant attributable to Parish Councils will be paid to Local Authorities. Consultation about the funding for local precepting authorities proposed that Parishes would use a tax base excluding the LCTS discounts in their council tax setting calculations and Local Authorities would transfer the Parishes element of the LCTS grant into the Collection Fund which would compensate for the reduced council tax income resulting from the LCTS scheme. This approach would provide certainty in funding to Parishes and would be relatively simple to administer.

However, the Government's response to the consultation was issued on 26 November and despite 97% of respondents agreeing with the consultation proposal, an alternative approach has been announced: Parishes will use the adjusted council tax base in their calculations and through a voluntary arrangement, billing and precepting authorities should agree the amount of funding to be passed on. The funding allocations published by the Government are intended as a starting point for discussion. In line with the localism agenda, there will not be a statutory duty to pass on funding.

The Council therefore proposes that the relevant amount notified as part of the local government finance settlement should be passed on in full to Parishes, in recognition of our valued relationship with town and parish councils and in line with our cooperative working principles. This will be on the basis of a cash limited grant which will reduce the level of precept required and mainly offset the reduction in tax base caused by the introduction of LCTS discounts. As a Borough Council we do not need to pass this on, but we appreciate and respect the work that Town and Parish Councils do in our community.

We intend that the method of determining how the allocation should be made between parishes will reflect LCTS caseload data. As the council will only be notified of the relevant amount in 2013/14, the quantum to be distributed between parishes will be varied in line with the overall percentage change in the Council's revenue support grant in future years and the distribution between parish areas will be varied in line with changes in the incidence of LCTS payments

Telford & Wrekin's Local Council Tax Support scheme was approved by Council on the 22nd November 2012 and proposed that the funding gap would be met through a combination of changes to council tax exemptions and discounts and by applying a percentage global reduction in support given to less-vulnerable claimants. Current estimates indicate that overall this will mean a reduction in council tax support of 21.1% for working age, non-vulnerable claimants. It is also proposed that a one-off £0.065m is earmarked to award

discretionary discounts in cases of extreme financial hardship and this has been included in the 2013/14 budget strategy.

14.4.iii Transfer of Public Health Responsibilities from the PCT.

As part of changes being made by the Government to the NHS, in April Public Health functions will transfer to either upper tier Local Authorities, or to 2 new NHS national bodies - Public Health England and the NHS Commissioning Board. The council was notified on 10th January 2013 that its ring fenced grant allocation to support the new Public Health function will be £10.6m, in 2013/14 and well above the assumption that had been made that the grant would be in the range £8.2m to £10.4m. Previous planning had been based on the lower end of this range so the Council is in a fortunate position of receiving significantly more grant. This necessitates the updating of the base budget gap and gives capacity for some existing discretionary services that contribute to the wider determinants of public health to be protected from cuts if they are funded from the ring fenced grant in future.

The Public Health budget was considered on 23rd January by the Health & Wellbeing Board (see Appendices 13a and 13b). This position is now incorporated in the overall strategy now put forward for approval

14.4.iv Local Government Grant Settlement

The provisional settlement was not announced until 19th December 2012 and there were then considerable delays in the Council receiving accurate and complete information with the final data not being received until 10th January. This extremely late announcement compressed the time available for consultation. The Government announced the availability of a council tax freeze grant for 2013/14 on 8th October 2012. This grant is only equal to a 1% increase in council tax or £0.582m at best for this Council (assuming that the grant is based on the tax base prior to the impact of introducing local council tax support schemes), compared to a grant of 2.5% (£1.4m) offered for 2012/13 although it would be payable for two years rather than for 1 year as for the 2012/13 offer. The Secretary of State also stated that those authorities who increase their relevant basic amount of council tax in 2013/14 by more than 2%, must hold a referendum.

The final settlement was announced on 4th February and reduced the grant receivable by the council in 2013/14 by £0.001m but increased it by £0.041m in 2014/15. A one-off additional New Homes Bonus allocation of £0.286m was also announced for 2013/14 as the Government had previously held back too much from their initial top slice of grants to local authorities which is used to fund the New Homes Bonus allocations made to local authorities.

15. LOCAL CONTEXT

15.1 Grant cuts and savings already made.

The Council has already faced significant reductions in the amounts of revenue grants that it receives from Government. In 2010, shortly after the general election, the Government took the unprecedented step of

implementing mid-year grant cuts. These totalled £3m immediately cut from the 2010/11 budget. Following the CSR in 2010, the revenue support grant settlement in December 2010 implemented further cuts to grants totalling £13.6m in 2011/12 and then a further reduction of £5.6m in 2012/13, i.e. cumulative annual grant reductions of £22.2m in cash terms (considerably higher when inflation adjusted) up to and including the current financial year.

In addition, the Council has had to develop proposals to make good an estimated funding shortfall of £3.1m arising from the LCTS scheme which will be implemented next year.

15.2 Savings programme.

Clearly the council has been making budget reductions for some time and many steps have already been taken that have focussed as far as possible in eliminating waste, removing duplication and unnecessary bureaucracy, streamlining management and improving procurement processes so that as far as possible we have limited the impact on front line services. Our strategy is to continue to fight for a "Fair Deal" for the Borough and to do all that we can to continue to protect front line services.

Clearly it is becoming increasingly difficult to make savings which will not have direct service impacts. It has to be noted that over 85% of the Council's net revenue budget is spent on Adult Social Care, Children's Services and Neighbourhood & Leisure Services so, given the scale of cuts being made by the Government to local government, some cuts in these areas are inevitable. The Council has a legal responsibility to set a balanced budget and in the face of an unprecedented period of significant and sustained year on year cuts to the funding it receives from the Government needs to identify ongoing savings or additional income sources to ensure that this requirement is achieved.

15.3 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 and short-time/part-time working resulting in an increase in Council Tax and Housing Benefit applicants and increased pressure on other services such as early intervention and homelessness.

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.

In recent years, we have focused on securing long-term economic prosperity. The continued development of Telford 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.

- Childrens' Social Care**— in line with regional trends, we continue to have an increase in numbers of Children in Care. The Financial Monitoring report also on this agenda shows that we currently have 317 Children in Care and are now projecting an overspend in the current year of £3.1m (an increase of £0.3m compared to the previous report considered by Cabinet on 10th January). A cost improvement plan for safeguarding and early years was included in the draft service and financial planning strategy which should deliver savings of £2.2m during 2013/14. The draft strategy also assumed an increase in the safeguarding budget for 2013/14 of £0.6m. However, based on the latest information available there is a very high degree of uncertainty about the robustness of the safeguarding budget for 2013/14. It is therefore now proposed to create a one-off contingency of £1.3m for safeguarding (including £0.37m which is earmarked for Care & Support who bear additional costs in respect of care-leavers) to be held centrally and only to be allocated after consideration by Cabinet who will monitor the delivery of the cost improvement plan during the year. This action plan is included at Appendix 2 of this report.

- Care & Support**

The table below summarises the savings required of the service

	2013/14	2014/15	Total
£m	£m	£m	
Savings proposals issued in March 2012			
reiterated in September 2012	1.901	1.102	3.003
Ongoing overspend from 2012/13	1.365	1.365	
2013/14 budget	0.317	1.957	2.274
Total	3.583	3.059	6.642

In the current financial year the service is delivering £2.546m of non staff savings and £2.251m of staff savings, a total of £4.797m. The delivery of these savings plus the £6.642m identified above represents 27% of the services budget and inevitably will result in a reduction in the care provided to individuals.

In addition demographic and inflation pressures are likely to mean that further savings over and above those identified above will be required in order for the council to be able to continue to meet its statutory duty to provide care for eligible unmet needs.

The current year's savings are being delivered through a complete remodelling of service delivery. In delivering this remodelling of service delivery the service is implementing 15 separate workstreams covering both service delivery and process/systems redesign. It is also delivering a number of procurement savings.

Whilst work is progressing on these workstreams to deliver the service savings required three significant factors are offsetting the savings being delivered and represent significant ongoing pressures on social care budgets. Firstly the impact of the PCT's 75%+ reduction in NHS funding for Continuing Health Care since 2009/10 (funding for people with long term conditions and therefore more severe health and care needs) continues to have a huge financial impact on the service. The additional costs now being met by the reducing funds available to the Council are some £8-9m per year and rising and despite the receipt of some non recurring funding from the PCT, mean that the savings arising from the new model of service delivery are being more than offset by this pressure. These clients, by their very nature of having previously been CHC funded or being eligible for consideration, have very high level and complex needs which puts them at the top end of the cost spectrum. Secondly the increased rate of hospital discharges has put significant pressure on our resources. People are being discharged earlier and consequently with higher levels of need. This results in increased demand and also higher care costs for social care.

The Council's average unit cost for care provision has risen and continues to rise as a consequence of the above two factors. Thirdly as part of the service restructure the service area became responsible for the transition of young people in care. In taking operational responsibility for the service an overspend of £500k has also been transferred from children's to adults services.

The impact of these is an ongoing overspend of £1.365m. In the current year this has been addressed on a non recurring basis by the use of the remaining service reserves. These will not be available in future so the additional costs must be addressed by further savings within the service.

The actions proposed to address the additional savings required are detailed in Appendix 12a. Implementation of all the savings outlined should address the original savings targets, the overspend and the additional target of £0.317m in 2013/14. As we move through 2013/14 then we will have to review our ability to deliver on the additional savings target for 2014/15 of £1.957m and whether this could require consideration of a process to review our level of care criteria.

After the January Service and Financial Planning report was drafted, the Council was informed that it had been allocated an increase of £0.741m in the funding transfer from the NHS to social care in 2013/14. It is proposed that Care & Support budgets are increased by £0.37m and that £0.37m of the £1.3m safeguarding / care and support contingency referred to above is earmarked for Care & Support.

Negotiations with the PCT and CCG over the scale and speed of transfer of the costs of Continuing Health Care cases to the Council will continue.

16.0 OUR STRATEGY

16.1 Overall Approach & Principles

At the heart of our strategy is a strong focus on what we can achieve rather than what we cannot. There are still many services and positive outcomes we can deliver despite the difficult financial situation we face. To do this, we need to ensure that resources are aligned to our Co-operative Priorities, as set out in Section 14.0. These priorities were developed following extensive engagement with the community and help us to decide which services should be safeguarded and where investment is most needed. We are committed to protecting and maintaining priority front-line services, for example:

- Keeping car parking free in Borough Towns for our residents;
- Keeping community libraries open;
- Protecting vulnerable children from harm, abuse and neglect; and
- Continuing free swimming for under 16s.

Our strategy is about proactively and positively building a long-term future for the Borough, rather than simply reacting with short-term cuts. Our focus is on economic growth and we believe that the Council can underpin this by providing the right services and making the right investments. We are therefore continuing to invest in the regeneration of Telford Town Centre, Brookside and Hadley, the transformation of secondary schools through the Building Schools for the Future programme, the improvement of transport infrastructure and land stability in the Ironbridge Gorge, the Borough's biggest tourist attraction.

Our strategy is guided by the following principles:

- Develop spending plans that address the community's needs and priorities and support the long-term economic growth of the Borough;
- Be transparent about how resources are spent across the Borough, but target spend at issues and areas where need is greatest;
- As a Co-operative Council, involve the community and partners in the budget-setting process;
- Seek to minimise the level of Council Tax increase, balanced against growing demands for Council services;
- Deliver efficiencies and savings, as far as possible minimising the impact on priority front-line services;
- Adopt a commercial, entrepreneurial approach to generating additional income and securing external investment;

- Like a business, it is prudent to set aside some money to deal with any unforeseen circumstances caused by the current economic situation (a contingency);
- Use reserves and balances responsibly, balancing the need to maintain services with financial prudence;
- Where possible cut our reliance on borrowing for some capital schemes so that expenditure on debt repayments can be reduced;
- Sell some of our land and property to reduce borrowing, cut running costs and to fund priority facilities and schemes.

16.2 Investments

Our strategy is based on the principle of ‘developing spending plans that address the community’s needs and priorities and support the long-term economic growth of the Borough’. We clearly cannot invest in everything, therefore we have identified where additional funding is needed to deliver our Co-operative Priorities:

Our capital investment programme is set in a separate report on this agenda.

New investment proposals include:

- a) **Destination Telford** – linking to our priority to be a ‘Business Supporting, Business Winning Council’, we are proposing to invest £150k revenue funding into initiatives and events that will promote Telford & Wrekin as a place to visit, live, work and invest in. As well as benefits to the local economy, for example through increased business and leisure tourism, encouraging more people, businesses and developers to come to Telford has direct financial benefits to the Council, for example through increased New Homes Bonus (a grant for Councils for increasing the number of homes in their areas) and the retention of a share of additional business rates in respect of new commercial or industrial premises. This investment recognises that Telford & Wrekin is in direct competition with other areas and that promoting our ‘whole offer’ is critical to long-term economic growth and prosperity. It will be funded by earmarking one-off balances following a review of one-off amounts set aside within the Council’s accounts.
- b) **Commercial and Business Fund** – the proposed capital programme includes £1m investment into a new Commercial and Business Fund. This investment supports our budget principle of ‘adopting a more commercial, entrepreneurial approach to income generation opportunities’. Funding will be used for one-off set-up costs for new commercial ventures (see information on Co-operative Commercial Projects in ‘Savings’ Section) and to ‘invest local’, for example to invest

in businesses in the Borough in return for a share of future profits. This investment will be funded from £1m of capital resources. We will also continue to 'pump-prime' a range of '**Invest to Save**' initiatives that will generate future savings or additional income. These will be funded from the Invest to Save Fund (current balance £0.29m) or prudential borrowing where the return to the Council's revenue budget is greater than the cost of servicing the associated additional borrowing costs. Current 'Invest to Save' proposals include a new health and fitness suite at Oakengates Leisure Centre, energy efficient street lighting and a new crazy golf course in Telford Town Park.

- c) **Safeguarding** – The draft budget strategy that we started consultation on in January included a new investment of £0.6m additional revenue funding into the Safeguarding Service, in line with our priorities to 'support and protect vulnerable children' and to 'put children and young people first'. This investment is needed to meet the growing financial pressures on this service as a result of high costs of placements for children in care and will also enable us to fully implement the recommendations of the recent Ofsted Safeguarding Inspection. Whilst Ofsted noted the positive progress made and concluded that the service was 'adequate', we are committed to making further improvements to keep children in the Borough as safe as possible from harm, abuse and neglect. However, in the light of the latest financial monitoring information and in view of comments made by the Budget & Finance Scrutiny Committee it is considered prudent to make a further investment in a one-off contingency totalling £1.3m (with £0.37m earmarked for Care & Support who face additional costs arising from care leavers) to be held centrally and allocated only after Cabinet consideration.
- d) **Public Health**- When Public Health transfers into the Council in April 2013, we will receive grant funding from the Department of Health to invest in protecting and enhancing the health and well-being of the community. One of the Council's key priorities is to 'address health inequalities'. Although some key health measures are improving in Telford & Wrekin, such as mortality rates from cardiovascular disease and cancer (under 75 years) and smoking-related deaths, outcomes remain worse than the national average and this gap is widening. We will continue to fund some public health programmes targeted at specific health issues. However, we will also look at the wider determinants of health and will invest £2.5m of the available grant funding in protecting and enhancing existing services that address some of the underlying causes of poor health, such as leisure, housing and public protection. Our aim is a more holistic strategy that

combines proactive and reactive investment to have a greater long-term impact on reducing health inequalities in the Borough. One of the ways we are looking to do this is through the launch of a new 'Telford Loyalty Card'. It is proposed that this new card will replace the current Flex card and will be free for anyone who lives in the borough. The card will have borough wide coverage and will be rolled out to every household in Telford and Wrekin. As with the current Flex card, card holders will have discounted rates on many activities at Telford and Wrekin leisure centres, as well as access to special offers throughout the year, from local businesses that have signed up to the scheme. The launch will coincide with the transfer of Public Health (under the banner of improving people's health & wellbeing), the aim being to encourage more people to 'get active' and 'shop local'.

- e) **Winter Maintenance** – linking to our priority to keep 'neighbourhoods safe, clean and well maintained', we are proposing to invest £150k additional revenue funding into our winter maintenance programme. Previous one-off resources that were held within reserves have now been exhausted. Prolonged periods of adverse weather in previous years have highlighted the importance of this service, both for the safety of residents and for the effective running of the local economy.

16.3 Savings

Over the last four years we have made £41.7m. of ongoing annual savings, equivalent to around £600 for every home in the borough. The need for savings has increased each year due to Government grant cuts, inflation and other pressures including the transfer of significant costs in respect of Continuing Healthcare cases from the PCT. Savings delivered by year are detailed below:-

2009-10	£4.2m
2010-11	£6.7m
2011-12	£11.7m
2012-13	£19.1m

This is equal to around £250 per head for every person in Telford and Wrekin cut from Council services. In delivering these savings, we have applied the principle of 'as far as possible minimising the impact on priority front-line services'. This principle remains at the core of our current strategy (see Appendix 3 for details of 2013/14 savings proposals).

Our starting point has been to focus on areas that do not have significant impact on front-line service delivery, such as:

- **Improving procurement** e.g. tight contract management, re-tendering contracts, challenging and re-negotiating existing contracts, making

greater use of framework agreements and being robust in the award of all future contracts;

- **Property rationalisation and generation of capital receipts** – we have ambitious plans to invest in schools, regeneration and other capital projects to transform the Borough. In order to minimise the burden of ongoing debt repayments we are committed to a significant programme of asset sales totalling £112.774m over the medium term. The planned profile of these receipts is shown below:

	£m
2012/13	33.139
2013/14	39.127
2014/15	11.813
2015/16	12.350
2016 onwards	16.345
Total	112.774

Generation of these receipts is a key assumption within the service and financial planning strategy. 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 level of dependency is however a significant risk and 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 capital spending schemes, identification of other assets for disposal or additional borrowing on a temporary or long term basis although this would increase revenue costs and necessitate further cuts to other services or the use of one-off resources.

- **Driving down non-staffing costs that have minimal impact on service delivery** - reviewing and challenging budgets 'line by line' e.g. stationery, subscriptions etc to ensure we have exhausted as many options as possible before considering changes or reductions to services.

As a Co-operative Council, we also invite and consider 'savings suggestions' made by residents and employees.

However, given the scale of the financial challenge facing us, these options alone will not deliver sufficient savings and we need to identify new and creative solutions. The Localism Act 2011 gives local authorities a new 'General Power of Competence' that means we now have greater freedoms and flexibilities in how we can generate income. Therefore a key part of our service and financial planning strategy for 2013/14 and beyond is to 'adopt a commercial and entrepreneurial approach to generating income'.

Our proposal is to deliver a programme of **Co-operative Commercial Projects**. The aim is to benefit the Council and the community, both financially and socially. As well as looking at income potential for the Council which has to be a paramount aim, we will prioritise 'win-win' projects that have direct financial benefits for local people and/or organisations. We will also take account of the broader non-financial benefits and how projects can contribute to the delivery of our Co-operative Priorities.

We will also revisit existing **externally traded services**, including those provided to schools, to ensure that we are being as proactive and commercially aware as possible in meeting customers' needs and managing costs so that we can continue to win business and maximise income from these services.

Whilst it is expected that some of the Co-operative Commercial Projects will start to generate income (£100k assumed in 2013/14, £250k projected by 2014/15), this is a long-term strategy and some projects will take time to come to fruition and then to generate significant profits.

Therefore, some continued impact on service delivery is inevitable. Our approach involves:

- **Carrying out planned, long-term service re-design** not quick-fix options e.g.
 - Children's Services – better help for people in the early stages of difficulties and more targeted help for families with complex needs;
 - Adults' Services– 're-ablement' to help ill or disabled adults learn or re-learn how to live independently;
 - Reconfiguration of services to support being a 'Business Supporting, Business-Winning Council'. As well as improving the local economy, this has direct financial benefits for the Council by increasing New Homes Bonus and generating additional business rates which under the new local government finance system the Council will be able to retain a share of this additional income.

- **Working co-operatively with local people, organisations and partners** e.g.
 - Partnerships with Town and Parish Councils to secure environmental improvements;
 - Encouraging local people to recycle more and reduce waste disposal costs.
 - We will continue to investigate options for sharing services where appropriate, for example by establishing a West Mercia wide Youth Offending Service the Council will improve its service and make savings in excess of £0.1m pa

- **Prioritised review of fees and charges** – to identify whether the Council is subsidising the delivery of some services without good

reason. Our initial focus will be on charges to businesses or partner organisations, including schools. The second phase will focus on discretionary services.

- A continuing **targeted service review and strategic review of capacity programme**. When carrying out restructuring, our aim is to actively seek applications for voluntary redundancy and to promote flexible working arrangements in order to keep compulsory redundancies to a minimum. As part of the planned programme of savings we launched a further time-limited Voluntary Redundancy opportunity on 6th December 2012. The scheme enables individual employees to consider if the time is right for them to move on from Telford & Wrekin Council and enables us to further reduce the number of compulsory redundancies. Additional funding will be required in the severance fund to cover anticipated redundancy costs over the coming year and this report recommends that £1.219m is transferred in to the fund to meet the cost of future voluntary and compulsory redundancies, although as previously stated the Council will do all that it can to minimise the number of compulsory redundancies although they cannot be ruled out. Whilst we do not intend to apply a blanket recruitment freeze because of the need to maintain staffing levels in key areas such as safeguarding, we will routinely challenge the need to recruit as vacancies arise and seek to retain maximum flexibility with the use of a mix of temporary and permanent contracts.

Appendix 3 consolidates the savings proposals that had previously been published in September 2012 and those that were published in December 2013. The only amendment has been the deletion of the Civil Parking Enforcement saving of £0.15m assumed from 2014/15 onwards.

This shows that around £8.611m will be available to support the service and financial planning strategy in 2013/14. Impact assessments and service user engagement will be undertaken during 2013 as more specific proposals are developed. Information on equalities, environmental and economic impact assessments are included in Appendices 4a to 4d.

Wherever possible and practical, we will bring forward savings proposals from future years. Savings delivered early can be used to create one-off resources to fund invest to save initiatives and to build capacity to review services and support the development of more cost effective methods of future service delivery. They would also provide a contingency against unforeseen costs or the delayed or partial delivery of planned savings.

16.4 Council Tax

Council Tax in Telford & Wrekin has historically been low compared to other councils. Appendix 7 is a graph comparing council tax levels across the Midlands region and demonstrates that council tax in this area is the third lowest in the Midlands region at Band D (£1126.09) and is only 1.1% higher than the Birmingham which is lowest (£1113.67). Appendix 8 compares our

council tax to the other unitary authorities in England and shows that we have the 9th lowest council tax at Band D out of 55 unitary authorities.

If Telford & Wrekin Council had levied a council tax at the average level of Midlands authorities (£1234.75 at Band D) in the current year, we would have generated an additional £5.58m p.a.

As well as a comparatively low level of council tax, this area also suffers from comparatively low property values with our average property being in Band B. In a league table of “tax base strength” produced by Stoke on Trent City Council, we rank 229th lowest out of 324 English local authorities. Whilst this is relatively good news for local residents, although we appreciate that council tax bills are still significant cost for local households, it means that we do not have the same scope to generate income from council tax as many other parts of the country where council taxes are much higher and average property levels are also higher.

A further factor that has reduced resources in this area is “grant damping” whereby grant that the Government has calculated should be paid to this council is withheld and used to support spending by councils that would otherwise receive less grant e.g. as a result of reducing population numbers. During 2012/13 a total of over £3m of grant that should have been paid to the Council was held back as a result of this damping mechanism. Much of this loss is now perpetuated in the new baseline funding settlement for the Council for the foreseeable future.

The Council also continues to suffer from a population undercount. We believe that the Office for National Statistics undercounts our population by around 4,000 people which has resulted in a further loss of grant of around £1.6m pa. in recent years.

The combined impact of:

	£m
A comparatively low level of council tax	5.6
Grant damping figure for 2013/14	1.6
The population undercount	<u>1.6</u>
	8.8

makes the disproportionate cuts in Government funding and rising demand for services even more of an issue in Telford & Wrekin than in some other areas.

Whilst we are continuing our campaign for a ‘Fair Deal for Telford & Wrekin’ by actively lobbying the Government, we again want to be prudent in our approach to setting Council Tax.

In January 2012, 2,287 residents took part in a consultation on the level of Council Tax increase. The majority of respondents (63%) supported a strategy of increasing Council Tax by between 2.5% and 3.5% (and rejecting a Government Grant available to freeze Council Tax in 2012/13). Based on the views of local people, the level of Council Tax was increased by 2.5% in

2012/13 and the Council agreed a strategy of increasing council tax at that level for the following 3 years.

However, our proposal for 2013/14 is to increase Council Tax by 1.9% (an increase of 2% or more would now result in the Council having to carry out a referendum at significant cost, of around £250,000, to Council Tax payers). This is a long-term strategy to ensure that our budget is sustainable, as the available Government grant (equivalent to a 1% Council Tax increase) for the next 2 years is less than half the rate of inflation and would leave us with a further significant budget shortfall in the short term and when the grant ceased to be paid.

16.5 Base Budget, Balances and Contingencies

A summary of the Base Budget position is included at Appendices 9a and 9bdetails movements in the Base Budget. The net base budget totals £142.378m for 2013/14 giving a base budget funding gap of £7.106m.in 2013/14.

Appendix 10summarises 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 £3.67m available as part of medium term budget strategy considerations.

Current available balances within the “Capacity Fund” of £0.42m and “Invest to Save Fund” of £0.29m are shown as committed as these are likely to be committed during the period of this medium term financial strategy.

The financial monitoring report on this agenda shows a transfer of £2.5m. to create a one-off contingency for 2013/14. This will be a challenging year with further savings to be implemented, continuing pressure likely to be experienced on social care budgets and the uncertainties arising from and increased risks transferred as a result of the new localisation of business rates and local council tax support schemes. Any further underspend available at year end will be used to either supplement the one-off contingency or will be used to further increase the provision for severance costs as it is likely that further posts will need to be deleted by the Council for the foreseeable future. The projections for future years include an ongoing contingency of £2.5m from 2014/15.

No allowance has been made for any pay award in 2013/14or future years nor has any allowance been built in for general inflation for 2013/14 or future years although some provision for contractually committed inflation has been made. 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. As the Council is planning to implement single status with effect from 1st April 2014, the provision for additional costs arising from the anticipated single status settlement from April 2014 of £2.75m has been built in to the budget from 2014/15 onwards. However, £0.919m of

this sum has already been allocated to fund the elimination of fixed point grades and the award of market pay adjustments to some social worker posts.

16.6 Council Pay and Care & Support Community Care Policies

This report also contains the Council's Pay Policy at Appendix 11 which was considered at the Personnel Board on 19th February 2013 and an updated Care & Support Community Care Policy & Procedure Document included as Appendix 12b.

17. **MEDIUM TERM GENERAL FUND STRATEGY**

A number of changes need to be reflected in order to update the base budget gap as set out in the table below-

	13/14 £m	14/15 £m	15/16 £m
Base budget gap reported in 10 th January 2013 Cabinet report	10.034	23.993	33.737
Updated information relating to the funding transfer from NHS to social care	- 0.741	- 0.741	0
Additional NDR income assumed in line with final submitted "NNDR 1" form	- 0.342	-0.342	-0.342
Additional schools catering service budget – costs to be borne by Council	0.300	0.200	0.100
Waste Procurement Project - one-off costs	0.150	0	0
Delete central allowance for savings from "flexi-deals" as savings are retained in service areas	0.020	0.020	0.020
Change in funding as a result of the final (February 2013) settlement figures compared to provisional settlement (December 2012).	0.001	-0.0 41	0
Additional spend in Care & Support over and above level of spend previously assumed	0.370	0.370	0
Additional one-off New Homes Bonus	- 0.286	0	0
Additional schools ICT budget allocation – cost borne by Council	0.100	0	0
Existing key services that address the wider determinants of Public Health funded from the higher than anticipated grant allocation announced on 10 th January 2013	-2.500	-2.500	- 2.500
Updated base Budget Position	7.106	20.959	31.015

This updated base budget gap is addressed by the strategy explained in this report and summarised in the table below:-

Projected Budget Gap	13/14 £m	14/15 £m	15/16 £m
Updated Base Budget gap	7.106	20.959	31.015
Savings proposals – See Appendix 3	-8.611	-14.934	-15.493
Transfer to supplement severance fund to cover one-off costs associated with the delivery of ongoing savings	1.219	0	0
Creation of a one-off contingency for pressures in safeguarding budget	1.300	0	0
Commercial income/“business winning” approach	-0.100	-0.600	-0.750
Effect of 1.9% council tax increase each year for next 3 years	-0.914	-1.845	-2.794
Restated shortfall before use of general balances or further savings	0.000	3.580	11.978

Whilst the strategy sets a robust and balanced budget for 2013/14, a shortfall of £3.58m remains for 2014/15 assuming a council tax of 1.9% is implemented in this year. This will need to be covered from a mix of further savings, additional income and potentially some use of one-off resources. The projected shortfall increases by a further £8.4m in 2015/16 although as the projections for this year fall outside the current CSR period and will be subject to the impact of the Spending Round to be announced by the Chancellor sometime before the end of June 2013, the projections for this year are subject to a reasonably high degree of uncertainty.

18. EDUCATION FUNDING.

Compared to Local Authorities funding, schools funding has been comparatively protected and is broadly in line with our current modelling estimates.

From April 2013/14 a new school funding regime will be implemented. This follows detailed consultation by the Department for Education (DfE) with all the relevant stakeholders. The changes to be implemented required the general local formulae for schools to be simplified and the method of funding Special Educational Need to change to fit DfE requirements. These changes do not impact on Pupil Premium.

The local formula for Telford & Wrekin was developed after consultation with all relevant stakeholders and was agreed by Cabinet on 8th November 2012. This new formula is mainly driven by pupil numbers so, whilst schools are protected by a minimum funding guarantee per pupil, the implications are that schools with small or falling numbers on roll will see a reduction in the funding they received under the previous formula. It is anticipated that pupil numbers will rise as the Building Schools for the Future programme proceeds but there will be an interim period of a few years where funding will be an ongoing

problem for some secondary schools and action will need to be taken by them to address these issues. Overall the estimated pupil numbers in Telford & Wrekin schools, including relevant Academies, has increased by 148 resulting in an expected £646k of additional Dedicated Schools Grant (DSG).

The changes in school funding result in differing per pupil rates being applied to the different sectors of education which prevents any like for like per pupil rate comparisons to 2012/13. The indicative DSG for 2013/14 for Telford & Wrekin is £120.350m including all Academies bar Madeley. This is now split into 3 blocks of funding as follows:

Schools Block, the majority of which is fully delegated to schools - £96.387m – this figure is calculated on the basis of £4367.31 per pupil.

Early Years Block, this funds education for 3 and 4 year olds in maintained nursery schools and classes as well as private, voluntary and independent nurseries - £6.991m. It is based on £4156.12 per pupil but is not a fixed total as it will be updated for actual pupil numbers throughout the year. In addition new funding has been transferred into DSG from the Early Intervention Grant. This relates to the Councils' statutory obligation to make provision for the education of about 40% of all 2 year olds from September 2014 – the new funding allocation for this purpose is £1.953m.

High Needs Block, this funds education for all those pupils in Maintained and independent special schools, Pupil Referral Units and other alternative education provision - £15.019m.

The DSG is supplemented by pupil premium of £900 per pupil giving a total of expected Pupil Premium for Telford and Wrekin schools (including Academies) of around £7m. As this is a mechanism to focus funding on disadvantaged children it tends to be largely attributable to schools with higher levels of deprived pupils.

The changes in the funding system have required a revision of school funding regulations, returns, approval processes and a significant exchange of information between the DfE and Local Authorities. As the pace of change has been so fast, with a high dependency of information flowing from the Government, there is still work ongoing on the funding arrangements for Special Education providers.

The changes to education funding have also resulted in more of the Dedicated Schools Grant flowing to schools; this directly impacts on centrally retained services. The Council must seek approval from the Schools Forum for specific funding amounts and levels to be retained. The additional amount being delegated to schools was approximately £1m and the Schools Forum has approved 25% of this funding to be retained by the Council for the continued provision of these services centrally. Further approvals will be sought for centrally retained funding relating to SEN and Early Years.

It is the DfE's stated intention to implement a national funding formula for schools in the next funding formula and these changes are a step towards this aim. They have, however, confirmed that a "*Minimum Funding Guarantee will continue to operate in order to offer protection against unmanageable falls in school budgets*". In early 2013 the DfE will carry out a review of the impact of the changes and advise Ministers on the necessity for any adjustments.

Changes in the current arrangements for recoupment of Council funding for the impact of Academies are part of the changes relating to the formula grant and proposals for Business Rates Retention. These changes result in a separate Education function grant being payable to Councils and Academies, created from a top slice of the formula grant. The total value of this grant has been announced as £3.717m. This covers all pupils in all state funded schools and the grant will then be payable to each organisation based on their pupil numbers, the element that will be payable to the Council has not yet been confirmed. Local authority ESG allocations for 2013-14 will be confirmed in early March 2013, based on the number of pupils in maintained schools and academies at that time. This grant is intended to give a fairer reduction in Council resources in relation to the number of pupils educated in Academies in their area. The per pupil methodology does not lend itself to economies of scale and the Council is likely to suffer a disproportionate loss of funding compared to loss of responsibility and workload as result of this change. Work is still ongoing to determine the source data being used to calculate the grant but we currently expect any reduction for the Council to be broadly in line with the current estimate within the Budget strategy.

The transfer of funding for 2 year olds, currently within the Early Intervention Grant (EIG), to the DSG, a ring fenced grant, along with a national top slice of EIG of £150m to be held back by the DfE for specific initiatives, has resulted in a loss of £2.321m to the Council of un-ring fenced grant funding. The level of loss is far above what should have been expected as the level of 2 year old funding transferred from EIG was well above the level of funding originally identified within it. It has recently been announced that the £150m top sliced nationally will be allocated to Local Authorities as a one year Adoption Reform Grant, individual allocations have not yet been announced.

19. EQUALITY IMPACT ASSESSMENT, COMMUNITY ENGAGEMENT AND COMMUNICATION

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 need to assess and analyse 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 the most 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 Assistant Directors 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 Community Engagement and Equalities Team, to identify possible further requirements for impact analysis and/or service user engagement. This list was agreed at Policy Review on 15 February 2013 and presented to the Budget & Finance Scrutiny Committee at their meeting held on 5 February 2013. The list can be found at Appendix 4.

The Community Engagement and Equalities Team will now work 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 will be undertaken. Where a proposal is still at an early stage of development, a plan has been put in place to ensure delivery of equality impact analysis and engagement during its development.

In September 2012 Cabinet agreed additional budget saving proposals. Appendix 4 shows progress on those savings proposals which needed further exploration around the need for an equality impact analysis and/or engagement.

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 also be found in Appendix 4.

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.

20. 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 reduce their environmental impact.

The environmental assessment detailed in Appendix 4d 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 also

included in Appendix 4d. Clearly reducing spending by the council will impact on the local economy for example through fewer people being directly employed by the council and less business being placed by the council with local suppliers as spending cuts are made.

21. **NEXT STEPS**

Once the service and financial planning strategy for 2013/14 has been approved by full Council on 7th March 2013 and the council tax resolutions have been decided, it will be imperative that considerable resource is devoted to rigorous financial management and monitoring by all managers and budget holders. The Council faces many financial challenges over and above the obvious and very significant reductions in Government grant and has limited contingencies and balances available. There are many risks and uncertainties inherent in the new financial system being imposed by the Government – as well as some opportunities and the full impact of the localisation of business rates system and local support for council tax scheme will only become apparent as 2013/14 progresses.

As well as exercising tight financial control and effective financial monitoring, managers and Cabinet Members will need to turn attention to the 2014/15 and later years medium term financial strategy early in 2013/14 in order to identify further savings and opportunities for additional income to bridge the projected remaining shortfalls of £3.6m in 2014/15 and an additional £8.4m in 2015/16.

22. **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 14 gives a more detailed view, but overall the conclusion is that given the planned programme of savings which has been under way for some time and has demonstrated an excellent track record of delivery with £41.7m savings expected to have been delivered over the 4 year period to March 2013 and with this also 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
- the prospect of many more years of significant reductions to the funding that we receive from Government
- high level of up front grant cuts faced by the council
- impact of cumulative capital programme investment decisions
- low level of residual balances
- greater levels of risk 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 short-term one off grants which only delay the decisions which need taking.

23. BACKGROUND PAPERS

- Comprehensive Spending Review Announcements – Treasury Website
- Autumn Statement – Treasury Website
- Revenue Support Grant Provisional Settlement Announcement – CLG Website
- Revenue Support Grant Final Settlement Announcement – CLG Website
- Service & Financial Planning Report to Cabinet – 22nd December 2011
- Service & Financial Planning Report to Council – 1st March 2012
- Service & Financial Planning Update report to Cabinet – 28th June 2012
- Service & Financial Planning Update report to Cabinet – 20th September 2012
- Service & Financial Planning Update report to Cabinet – 10th January 2013
- LGA report “Funding outlook for councils from 2010/11 to 2019/20” published in June 2012.
- Association of North East Council’s “Key Resource Issues for North East Local Government” report.
- “Mandate for Change”, issued by Stoke-on-Trent City Council November 2012.

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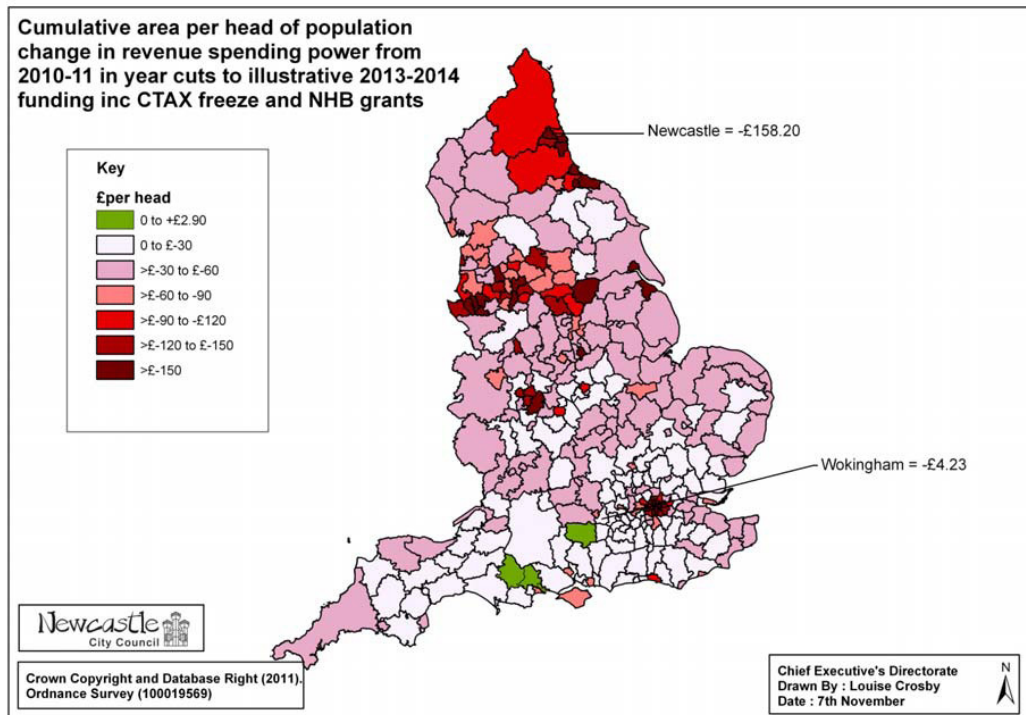
INDEX OF APPENDICES.

Appendix

- 1 "Heatmap" showing the estimated change in funding by local authority area from 2010 to 2013 (£ per head)
- 2 Safeguarding and Early Help Cost Improvement Plan
- 3 Consolidated list of Savings Proposals
- 4a Service & Financial Planning 2013/14 – 2015/16 Equalities Impact Assessment
- 4b Identified Savings Proposals Relevant to Equality 2013/14 to 2015/16
- 4c Savings proposals Impact Analysis Overview 2013/14 to 2015/16
- 4d Environmental and Economic Impact Assessment on Savings Proposals
- 5 Results from Consultation and Engagement Activities
- 6 Scrutiny Response
- 7 Council Tax Comparison (at Band D) – Midlands Councils
- 8 Council Tax Comparison (at Band D) – Unitary Councils
- 9a Base Budget
- 9b Analysis of Base Budget Movement
- 10 Reserves and Balances
- 11 Pay Policy
- 12a Savings Proposals – Care & Support
- 12b Care & Support Policy and procedure Document
- 13a & b Public Health Service and Budget
- 14 CFO Robustness Statement

Appendix 1.

Heatmap Showing the estimated change in funding by local authority area from 2010 to 2013 (£ per head)



Notes:-

- The map is extracted from the Association of North East Council's Key Resource Issues for North East Local Government with permission of Newcastle City Council.
- The figures do not include funding for schools.
- The change figures for 2013/14 only relate to elements that would have been included in the formula grant for 2012/13, plus latest information on the Council Tax Freeze grant and an estimate of New Homes Bonus.
- The figures do not include the cut in Council Tax benefit support or other grant transfers proposed for 2013/14.
- Most in year revenue cuts in 2010/11 (but not all where the data was not readily available) are included.
- Capital cuts are excluded as are HRA funding changes.
- Police funding is excluded but fire funding is included because some counties have fire funding in their formula grant.
- New Homes Bonus and council tax freeze grant are included.
- Transfers out for LACSEG and transfers in for Council Tax support grant are excluded.

- In shire county areas county funding has been allocated to districts and this has been done pro rata to population (similar to approach for fire funding).

Telford & Wrekin is in 245th place out of 324 council areas in England. Our neighbouring local authority areas of Shropshire and Stafford are in 175th and 198th place respectively.

Appendix 2 - Safeguarding and Early Help – Cost Improvement Plan

December 2012

Agreed Aims

- To be in a position where there is no overspend in Safeguarding by the end of March 2014
- To make a contribution towards the overall Council savings target by the end of March 2015
- To make significant savings whilst improving the quality of service provided to children, young people and their families including satisfying requirements identified by OFSTED during our recent inspection of Safeguarding and Local After Children's services.

To reduce the average cost of placing a child in care or reducing duration in care

Underlying Principles

- All available options will be reviewed before making a decision to accommodate child/children.
- More children will be looked after by their families.
- Culture change initiated by the previous phases of the children and families service review will be key to our success
- Joint ownership will be fostered through more detailed action plans which will sit behind our agreed aims and fed through senior managers to the entire Children's Service workforce (both LA and partners)
- These aims assume that the impact of benefit reforms can be met from existing resources and that there will no demographic impact from these changes.

Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
<p>Objective 1: Emma Wilcock (Karen Perry)</p> <p>Recruitment & Retention – develop recruitment and retention (workforce planning and development) strategy for children’s services social workers.</p> <p>Performance Indicator (PI)- number of agency social workers employed across children and family services. <i>Includes impact of over recruitment to avoid agency staff requirements (Current number of agency staff at the end of October is 12..7)</i></p>					
<p>Max 6 Agency SWs by April 13</p> <p>Max 2 Agency SWs by September 13.</p> <p>Max 0 Agency SWs by April 14</p>	300	620 ¹	<ul style="list-style-type: none"> • Market the concept of the Telford Social Worker (co-operative offer) (EW) • Review approach to recruitment – “LEAN analysis of all parts of process” (RF) • Using generic interview panels programmed in throughout the year (AW) • Improved forecasting of timescales for taking up posts. (SDM’s) • Maintaining a competitive advantage (Unique Selling Point) and pay parity with other local authorities (EW/HR) • Improved management reporting - vacancies, appointments and agency cover (HR) • Step Up students to be proactively targeted for recruitment (AW) spring/summer 2013 • Explore SW to SSW progression by Assessment 	<ul style="list-style-type: none"> • Preliminary discussion re workforce planning and development strategy held with Workforce Manager and Principal SW (PSW) – draft version to come to CFSLT early Jan • Managers and PSW attended event at another LA to understand how they do Assessment days • Young people produced poster of “what makes a good SW” and interviewed a SW to be used as promotional materials in recruitment and illustrative as part of co-operative offer • Interviews dates for SW posts highlighted in advert to reduce lead time • Last recruitment campaign filled all the SW vacancies and 2 of the 6 SSW posts, the Advanced SW Practitioner post and 1, possibly 2, of the 2 TM posts. • Online recruitment tracking sheet accessible to all key stakeholders 	<p>April 13</p> <p>Sept 13</p> <p>April 14</p>

¹Based upon appointing 5 social workers over establishment.

Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
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Objective 2: Viv McKay/Angela Yapp (Karen Perry)

Placement Strategy – review placement strategy to ensure that number of placements meet need.

Performance Indicators - reducing residential placements (RP) by 10, drive down cost of placements, knock on effect on numbers of external foster placements by reduction in use of internal foster placements for babies, appointment of contract foster carer (LA employed carer).

<p>40 RP by end of March 13.</p> <p>32 RP by the end of March 14</p> <p>30 RP by the end of March 14 (with 1 contract carer)</p>	<p>1,192</p>	<p>1,413</p>	<ul style="list-style-type: none"> • Needs analysis by type of placement, modelling existing commitments and identifying best practice elsewhere. (VMcY) • Predictive management information models for the early identification of likely requests for placement (VMcY) • Using different commissioning approaches to procure lower cost placement solutions e.g. intensive foster care “Keep Model”. (VMcY) • Reducing no. of babies fostered through use of potential adoptive parents (MW) • Prioritising assessment of any prospective internal foster carers who show an interest in taking teenagers. (AY) • Targeted marketing activity, including making links with employers with strong culture of social responsibility (AY) 	<ul style="list-style-type: none"> • Provisional agreement from staff member to go forward as contract carer. Investigate possibility of recruiting further contract carers • Completed initial scoping re CAMHS placement stability team; existing resources identified and priority brief for team agreed • SW within fostering team identified for flexed caseload pilot of fast track assessments of foster carers • Weekly fostering recruitment staff in town centre well established and providing an average of 1 high quality enquiry per week • Feedback obtained from adoptive carers re potential arrangements for fostering to adopt, and initial discussions to identify potential (as yet unborn) babies; Telford staff meeting with Joint Adoption service before Christmas • Attendance of Assistant Director at Local Strategic partnership produced some useful leads for follow-up; to be repeated 	<p>March 13</p> <p>March 14</p> <p>March 14</p>
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Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
			<ul style="list-style-type: none"> • Using a JIGSAW house as an assessment centre if this is confirmed as a viable option (<i>VMcY</i>) • Recruiting 2 contract foster carers (<i>VMcY/AY</i>) • Consider external procurement of respite care • Advertise for foster carers for individual hard to place children “be my foster carer” • Recruit additional SSW in Family Placement to reduce disruptions family and friend’s carers and more capacity to assess mainstream carers. • Pilot new recruitment of foster carers model – flex SWs caseload to assessments and offer additional hours to part-time staff • Increase Children In Care Team SW hours from half to fulltime for 6 months to focus on getting YPs in residential care into foster placements 	<ul style="list-style-type: none"> • Employer with strong culture of social responsibility identified and link made for future targeting visit • CAMHS advice available to foster carers via Family Connect from February 2013 • SSW Family Placement appointed – in post by Feb 2013 	

Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
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<p>Objective 3: Karen Perry/Clive Jones Children in Care - Review approach /strategy for reducing CiC placements. Performance Indicators – Reduce number of CiC, reduce number of child protection plans (CP) and reduce time spent in care</p>					
<p>300 CiC by April 13</p> <p>294 CiC by April 14</p> <p>9 fewer CP Plans by April 13</p> <p>21 fewer CP Plans by April 14</p> <p>Average time spent in care reduced by 6 weeks by April 13</p>	<p>556</p>	<p>1,009</p>	<ul style="list-style-type: none"> • “Family Support Model” in place. Early appropriate intervention and resolution and hence lower cost solution which may be longer term. <i>(DL)</i> • Targeted approach to dealing with most vulnerable families (SF Task Force) <i>(JB)</i> • Embedding culture of integrated safeguarding and early support practice across the Borough on a multi-agency basis (Telford Compact) <i>(DL)</i> • System in place for monitoring impact of interventions <i>(DL)</i> • Learning culture in place - audit/review recent high cost admissions <i>(JBr)</i> • New “early support” approaches for children living with domestic violence or suffering neglect in place. <i>(JB)</i> • Resource Allocation Management Panel established for preventing non emergency admissions to care, especially teenagers <i>(KP/CJ)</i> • Reduced time in care (use of Permanence Panel) <i>(JBr)</i> 	<ul style="list-style-type: none"> • Analysis of involvement of F&C in complex safeguarding cases underway • Families who meeting SF criteria with whom SW teams involved identified • Draft thresholds document discussed at LSCB policy and procedures group and joint Safeguarding/F&C management meeting • 3 families (totally 14 children) recently CiC being analysed for joint audit at Childrens’ Service Improvement Team on 14th Dec • Weekly RAMP in place • Emerging model in draft for addressing Neglect. Pilot commenced for improvement in CP conferences and CP plans 	<p>April 13</p> <p>April 14</p> <p>April 13</p> <p>April 14</p> <p>April 13</p>

Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
			<ul style="list-style-type: none"> • Predictive modelling/ review of approach for babies with disabilities/complex health needs who may become CIC and those in residential school who require 52 weeks support. (VMcY) • Council services working together to mitigate against bringing a child/s into care. (KK/CJ) • Implement Community Action Research Programme (part of Strengthening Families Task Force (CJ) • Commission Morning Lane to undertake case analysis of recent admissions as part of externally funded support for safeguarding reconfiguration 		

Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
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Objective 4: Viv McKay (Karen Perry)

Utilise commissioning approach to review in detail the following processes/services within safeguarding:

Performance Indicators – will be determined during the course of the review

	150	350	<ul style="list-style-type: none"> • Change delivery model for fostering, and contact and parenting assessments (Use of IEWM). (VMcY) • Provide better support to vulnerable pregnant mothers (JBr) • LEAN Review of key early help and safeguarding processes (VMcY) • Review value for money of existing arrangements for using translation service. (VMcY) • Fully understand cost differential (child/adult cost per place) and identify options for reducing cost per place where possible. (VMcY) • Investigate options for reducing cost of court ordered contact. (VMcY) • Review use of escort arrangements and opportunity for independent travel when transporting CiC (VMcY) 	<ul style="list-style-type: none"> • Set up meeting with external resource to review Fostering Service Planned for 14th December. • Visit to another LA to learn from their practice re better support to vulnerable pregnant mothers, plus submission of bid for funding from Dee • Potential SW attendees for Parenting Assessments Manual training (April 2013) being identified • Discussion re more cost effective arrangements for contact planned before Christmas 	April 13
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Appendix 2 - Action Plan

Target (PI)	Target Saving 13/14 p.a. £k	Target Saving 14/15 p.a. £k	Actions	Progress	PI When By
Total Savings	2,198	3,392			
Proposed Investment	600				
Total	2,637				
Proposed Budget 13/14	2,798				

Risk Matrix

Risk	Mitigation
<ul style="list-style-type: none"> • Culture change within our workforce and across agencies will be resisted 	<ul style="list-style-type: none"> • Comprehensive engagement/communication strategy and plan put in place to support change • Detailed action plans to be shared and owned by workforce and agencies, starting with our own SDMs • Re-launch Telford Safeguarding and Integrated Services Early Help Training. • Invest in longer term “co-production” model with community through strengthening families and homelessness task forces. • Support and funding attracted from west midlands region to support this work.
<ul style="list-style-type: none"> • Reconfiguration uncertainty – Safeguarding review underway. 	<ul style="list-style-type: none"> • Comprehensive engagement/communication strategy and plan put in place • Ensuring social workers understand the need for change • The concept of the Telford Social Worker
<ul style="list-style-type: none"> • Lack of capacity at SDM level – previous reviews have reduced substantially capacity at manager level across children and family service 	<ul style="list-style-type: none"> • Use Capacity Fund and existing balances to provide additional one off capacity where needed • SDM taken on to support transformation and to ensure practice quality is maintained during change
<ul style="list-style-type: none"> • Lack of capacity in Commissioning & Family Placement teams 	<ul style="list-style-type: none"> • As above
<ul style="list-style-type: none"> • Some LA pay a premium or have concluded single status work resulting pay inequity across the region 	<ul style="list-style-type: none"> • Review inequity and make recommendations for addressing any inequity
<ul style="list-style-type: none"> • Adverse impact of benefit change on demand for children and family services. 	<ul style="list-style-type: none"> • Impact to be assessed by Strengthening Families and Homelessness Task Force. Not looking to drive savings out of this money. • Realistic targets regarding CiC numbers/CP plans and savings

<ul style="list-style-type: none"> • Shortage of foster carers nationally – there is a shortage of foster carers across the region, particularly for older teenage children in care. 	<ul style="list-style-type: none"> • Review package and support offered • Review marketing strategy as above
<ul style="list-style-type: none"> • Perverse incentives to make children subject of CP plans for children’s workforce who are not SWs and some SW teams as we are currently structured 	<ul style="list-style-type: none"> • LSCB develop and endorse Risk Model • More robust “Step Down” arrangements • Clear, well understood and endorsed models of alternatives to CP plans for (some) DA and Neglect cases • Reconfiguration of Safeguarding Service
<ul style="list-style-type: none"> • Impact of Family Law reform on capacity in ACM teams 	<ul style="list-style-type: none"> • Should be short term and pending promised national simplifications of care plans
<ul style="list-style-type: none"> • Lack of Business Support Officer (BSO) capacity 	<ul style="list-style-type: none"> • Review service requirements as part of the restructure