

TELFORD & WREKIN COUNCIL

CABINET – 10 JANUARY 2013

HEALTH AND WELLBEING BOARD – 23 JANUARY 2013

SERVICE AND FINANCIAL PLANNING 2013/14 TO 2015/16

REPORT OF THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER

(Abridged:Main report plus 3 of the 15 Appendices covering the position on Children’s and Adults’ Social Services and Public Health (ahead of delayed grant announcement))

PART A) – SUMMARY REPORT

1. SUMMARY

Over recent years, Telford & Wrekin has faced unprecedented cuts in Government grant and made significant savings equivalent to more than £500 for every household. But despite the financial challenges, our mission is clear.

We’re attracting new jobs and investment and promoting 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 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, particularly in the current climate where economic pressures on many families are growing, and our most vulnerable adults
- 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.

This report sets out a proposed service and financial planning strategy for the period 2013/14 to 2015/16 with specific budget proposals for 2013/14 and a schedule of planned engagement and consultation activities with the community around the proposed strategy.

The Council's Service & Financial Planning strategy for the period 2012/13-2014/15 was approved by full Council on 1st March 2012. This strategy was set in the light of the most challenging Government grant settlement ever received by the Council. Whilst the average reduction for Government Departments over the 4 year CSR period is 8.3%, the average reduction for local government over this period is 27%, more than three times as much.

However, the distribution of these cuts has not been even. Appendix 1 demonstrates this graphically and shows that 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.

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 in other areas. During 2012/13 a total of over £3m of grant that should have been paid to the Council was held back by the Government. At least £1.6m 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 |

results in even greater pressure on the Council's budget on top of a disproportionate share of the grant reductions made by the Government.

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.

The Council has already taken the following measures to reduce its costs:-

Staff

- Since 2009 the Council has already 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

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

“Back office” costs

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

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.

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.

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 for one of our most vulnerable groups.
- 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

Clearly it is becoming increasingly difficult to make savings which will not have direct service impacts. It has to be noted that some 85% of the Council's budget is spent on Adult Social Care, Children's Services and Neighbourhood 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.

The Autumn Statement announced on 5th December made it clear that the outlook for public finances is not improving and the Council should expect the squeeze on public spending to continue for several years to come. At the same time as pressures on the national economy result in reductions in the level of central support for local authorities, the economic situation is continuing to place considerable additional pressures on the demand for local services for example council tax benefit payments are at peak levels (and the Government have transferred responsibility for these costs to the Council whilst cutting the associated funding) and the number of looked after children and cost of care is increasing. The Council is also facing increasing demands for services for older people as the number of older people in the Borough increases and has to fund continuing healthcare costs transferred by the Primary Care Trust. Difficult choices therefore need to be made between further cuts to frontline services and levels of 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 a 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. A 1.9% increase is equivalent to 32p a week for the average (Band B) home in this area.

The proposals in the report have been developed in the light of the extensive consultation with the community that was undertaken last year and Appendix 15 of this report is a schedule of further consultation activities on the proposals included in this report.

The position over the next three year period can be summarised as follows:-

| Projected Budget Gap | 13/14 £m | 14/15 £m | 15/16 £m |
|---|---------------------|---------------------|---------------------|
| Base Budget gap (including impact of further grant losses assumed as a result of the Autumn Statement and 2013/14 grant settlement) | 10.034 | 23.993 | 33.737 |
| Add back one-off contingency (re. public health uncertainty over grant allocation and new function) | 0.800 | 0 | 0 |
| Savings proposals issued in September 2012 (Appendix 3 – after leakage) | -5.376 | -8.370 | -8.929 |
| Further savings (Appendix 4 – after leakage) | -3.235 | -6.714 | -6.714 |
| Funding protecting key services that address the wider determinants of Public | -1.200 | -2.500 | -2.500 |

| | | | |
|--|--------------|--------------|---------------|
| Health | | | |
| 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 | 0.009 | 3.964 | 12.050 |

These figures are based on the information currently available from CLG on the **provisional** local government finance settlement for 2013/14. Although the Right Honourable Eric Pickles MP, Secretary of State for Communities and Local Government made an announcement of the provisional settlement in the House of Commons on 19th December 2012 it took many days for the required data to be posted on CLG’s website and unfortunately on many occasions data that was been posted was later withdrawn and replaced with updated information due to errors having been reported by the local government community. At the time of publishing this report, essential parts of the grant announcement have still not been announced (for example the Public Health Grant which Eric Pickles, in his speech on 19th December, said would be made available later that day) with no clear indication being provided of when the data will finally be made available for this significant grant which we estimate will be in the region of £8.2m to £10.4m. Clearly this is therefore proving to be a very difficult provisional settlement to analyse given the significant changes made by the Government to the local government finance system, the lateness and partial nature of the data all combining to make financial planning very difficult.

The report also proposes a number of significant investments. The proposed Capital Programme totals £288m over the period 2012/13 to 2015/16. This includes a new one-off £1m Commercial & Business Fund which 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 and to ‘invest local’, for example to invest in businesses in the Borough in return for a share of future profits. The report also proposes a £150k one-off revenue investment in “Destination Telford” linking to our priority to be a ‘Business Supporting, Business Winning Council’. The fund will be used to fund initiatives and events that will

promote Telford & Wrekin as a place to visit, live, work and invest in. 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. Other investments include £150k ongoing revenue funding for further spending on Winter Maintenance of the road network and a £0.6m increase in the revenue budget in 2013/14 to protect children at risk

2. RECOMMENDATION

2.1 Members are asked to approve the service and financial planning strategy set out in this report for consultation with the community.

3. 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 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 5. 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. We will conduct a full impact assessment of all of the budget proposals, to be considered by Cabinet on the 28th February 2013.</i> |
| TARGET | <i>A series of borough wide public consultation</i> | |

| | | |
|---|---|---|
| COMPLETION/DELIVERY DATE | <i>activities will be undertaken during January. The proposals contained in the report will also be subject to Member scrutiny during this period. Final proposals will be considered by Cabinet on 28th February 2013 who will make recommendations to 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 which will be 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 the corporate risk register – 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.</i></p> <p><i>The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact. The environmental assessment detailed in Appendix 5b and 5c provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.</i></p> <p><i>The economic impacts of the proposals are also detailed in</i></p> |
|--|---|

| | | |
|---------------------------------|--------|-----------------------------|
| | | <i>Appendix 5b and 5c.</i> |
| IMPACT ON SPECIFIC WARDS | Yes/No | <i>Borough-wide impact.</i> |

PART B) – ADDITIONAL INFORMATION

4.0 OUR CONTEXT

Last year the Council engaged in very extensive consultation exercises with local people which involved 7,442 contacts with local people. 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.**

The Council Plan will be considered by Cabinet in February alongside the final service and financial planning proposals and will set out our proposals in respect to each of these priorities. However, 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.

4.1 NATIONAL PRESSURES

4.1.1 The Comprehensive Spending Review and Cuts to our Grants from Government.

The Government announced a Comprehensive Spending Review (CSR) covering the four year period 2011/12 to 2014/15 on 20th October 2010. This was set in the context of a very significant national budget deficit and considerable uncertainty in the world economy. The CSR set out targets for ongoing cuts to public spending over the period of the CSR to eliminate the structural budget deficit. This set the framework within which the Revenue Support Grant and other grant and capital settlements affecting the Council would be determined during this period.

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.

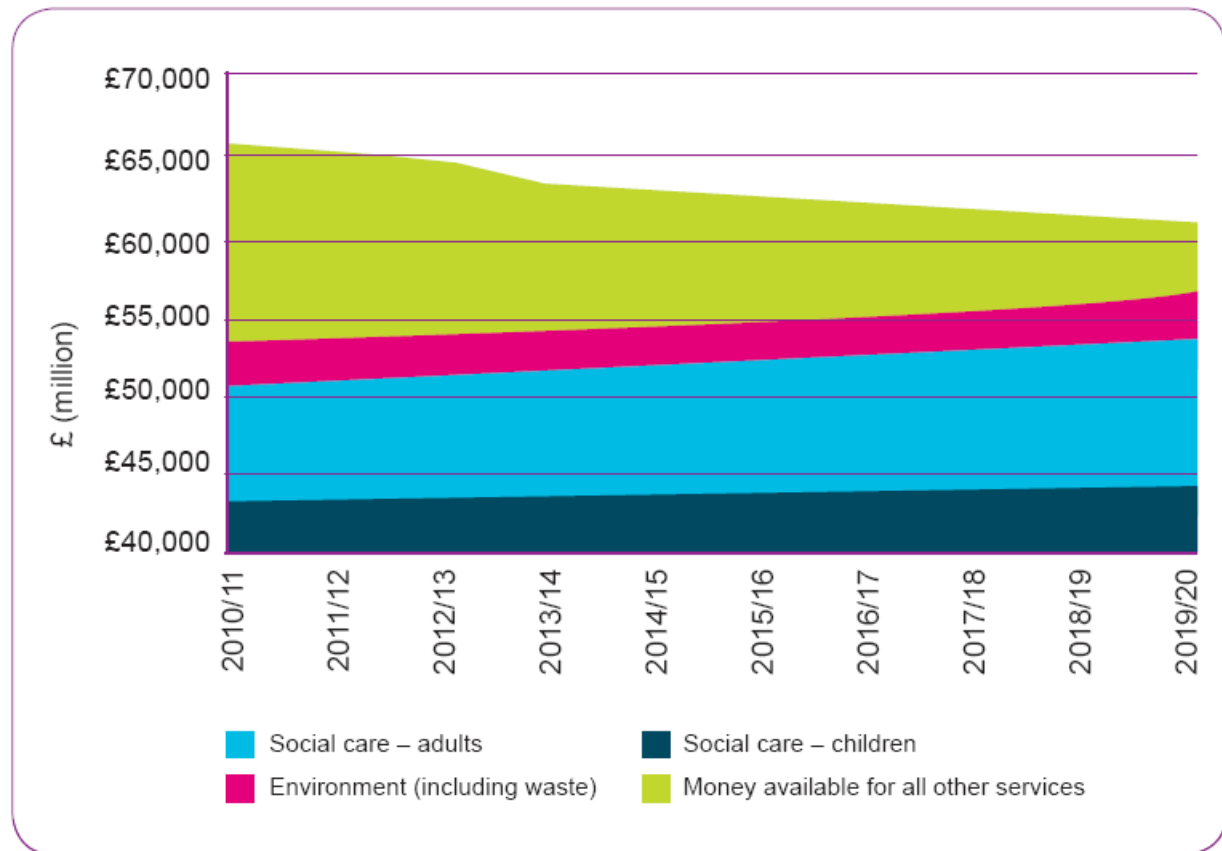
Whilst the position for local government over the period of the current CSR is extremely challenging, the impact of the cuts to Government funding are not felt uniformly across the country. There are very significant differences in the impact of the grant cuts announced so far with the north of England 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 place out of 324 council areas in England. Our neighbouring local authority areas of Shropshire and Stafford are in 175th and 198th place respectively.

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 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.

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.



4.1.2 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 £bn | Updated Forecast of UK Deficit £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 |

In its analysis of the Chancellor's Autumn Statement, the economics think-tank, The Institute for Fiscal Studies, said "The further year's consolidation from April 2017 means budgets for public services – other than the protected NHS, education and international development areas – face a 'torrid time'".

A further spending review 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'.

Other key points in the Autumn statement for local government included:-

1. The Department for Communities & Local Government (CLG) will not have to find the 1% extra cuts that other Government departments have been asked for in 2013/14 but will have to find the 2% in 2014/15.
2. The Government is still aiming to achieve 80% of the deficit reduction through spending cuts and 20% from tax increases over the medium term.
3. Total overall public spending in 2015/16 and 2016/17 will fall in line with the trend in the 2010 CSR.
4. The additional savings from Government departments and from only increasing welfare benefits for working age claimants by 1% rather than in line with inflation will be used to fund £5bn of capital spending. This will include:-
 - £1bn to be spent on roads – mainly 3 large projects but £333m available for essential maintenance of the national and local road network and £42m for cycle infrastructure. In a subsequent announcement, made on 18th December 2012, the Department for Transport issued the provisional allocation of additional highways maintenance funding to the Council of £0.481m in 2013/14 and £0.257m in 2014/15 provided that the Council commits before the end of January to publishing a statement of how and where this funding has been spent and how it complements the wider planned highways maintenance spending by the Council. This additional allocation is reflected in the Capital Programme at Appendix 6.
 - £1bn for investment in schools – includes enough funding for 100 new academies and free schools as well as expansion of “good” schools in areas experiencing the greatest pressure on places with councils able to bid for this.
 - £310m extra for the Regional Growth Fund.
5. From November 2013 a new concessionary Public Works Loans Board interest rate (0.4% below standard rate) for an infrastructure project nominated by each LEP capped at £1.5bn nationally.
6. Funding for growth schemes – (details awaited) but to include:-
 - £60m for enterprise zones
 - £225m to accelerate large stalled housing sites.
 - £190m to “de-risk” public sector land and enable quicker disposal of surplus sites for new homes.
 - £100m to bring forward public sector owned sites for development.
7. LEPs to be given a strategic role in skills policy and will determine how European Union strategic framework funds including European Social Fund are used locally. £10m to be provided for capacity building within LEPS.

8. £120m for flood defences

9. Business Rates

- The temporary doubling of small business rate relief to be extended for a further 12 months to 31 March 2014.
- Government will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for 18 months.

10. Employees

- Regional pay will not be implemented but schools will be given discretion to link pay to performance rather than length of service.
- TUPE regulations to be reviewed to make the labour market “more flexible”.
- Public sector pay to increase by an average of 1% pa in 2013/14 and 2014/15. However, as the Council’s budget projections do not allow for pay awards any increase will have to be found from within existing budgets through further spending cuts.

4.1.3 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:-

4.1.3.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. Currently business rates are collected by local government, pooled by central government and then redistributed to local authorities as part of their funding through formula grant.

Formula Grant which consists of re-distributed business rates and Revenue Support Grant (RSG) is allocated to authorities based on an assessment of needs determined through a complex set of formulae. Individual allocations of Formula Grant are normally announced annually in the Local Government Finance Settlement in December.

Formula Grant currently funds around 53% of the Council's net revenue spending and therefore changes to the funding mechanism can have a very significant impact on the Council's overall financial position.

| | £m | |
|----------------------------|---------|-------|
| Total net spending 2012/13 | 126.254 | |
| Funded by: | | |
| Formula Grant | 66.645 | (53%) |
| Council Tax | 57.819 | (46%) |
| Balances/Collection Fund | 1.790 | (1%) |

In the current year, a total of £64.101m of business rates is due to be collected in this area whilst we receive £65.378m back from the Government i.e. in the current year we are receiving £1.227m more back than is collected in the area.

The principles of the Business Rates Retention Scheme were outlined in a number of consultation documents during the summer. The Government published a policy statement (its response to the consultation) in November 2012 with the final scheme proposals. The details of the Business Rates Retention Scheme and the actual funding implications for the Council were announced as part of the Local Government Finance Settlement on 19th December 2012- although not all information was released for some considerable time after the settlement.

The Business Rates Retention Scheme includes a number of components which are complex and inter-related which are explained below.

Under the new system authorities will retain 50% of locally collected business rates (retained business rates). The other 50% will be paid over to central government to fund Revenue Support Grant and other Specific Local government grants.

In simple terms, under the new system Local Authority funding will be made up of:

- 50% retained business rates income - 1% payable to Fire Authority (including Top Up or Tariff – see below)
- Revenue Support Grant

This is a marked change from the current system with the council's funding being directly impacted by actual business rates income collected during the year. The Local Government Finance Settlement will provide an estimate of business rates based on national statistics, however this must be compared to our local estimates to assess the actual funding available for the Council's budget. Therefore, unlike the current system where a set amount of business rates funding was provided through Formula Grant, under the new system the level of business rates income will vary throughout the year (for example if businesses close or move away or new businesses open) and this will have to be closely monitored. Business rates are accounted for through the Collection Fund. Under the new system any surplus or deficit on the Collection Fund is shared between the billing authority, central government and relevant precepting authorities.

In future years' authorities will also retain 50% of any growth in business rates, however this is subject to **levies** which will be charged where there is a "disproportionate" benefit. Levy rates will be calculated for each individual authority on a 1:1 basis (so a 1% increase in business rates income only produces a corresponding 1% increase in revenue). There will be a maximum levy of 50p in the pound. Levy payments will be calculated at the end of the financial year. The proceeds from the levy will be collected nationally and used to provide a **safety net** for authorities who experience unforeseen falls in their business rates. The safety net will be set at 7.5% below an authority's baseline funding level – this means the authority will have to fund any shortfall until the fall in income is such that the safety net is reached transferring significant risk to the Council from the Government. Safety net payments can be made in year (based on forecast rating income and then adjusted at year end) or after year end (based on audited data).

To establish a fair starting point at the beginning of the new system, **tariffs** and **top-ups** will be calculated. A **baseline funding** level will be set for each authority (i.e. an assessment of funding need). This will use the 2012/13 funding formulae methodology as a starting point (with certain elements updated, such as the treatment of concessionary travel, sparsity and data). An individual authority's **local business rates baseline** will also be set. This will be 50% of the Government's estimate of the total national business rates collected (less top slices) apportioned across individual authorities on a proportionate basis (using average business rates income collected). Where an authority's business rates baseline is greater than its baseline funding level a tariff will be paid

to Central Government; where the business rate baseline is lower than the baseline funding level it will receive a top-up from Central Government. Tariffs and top ups will be fixed for the next 7 years with only an RPI increase (until 2020 when the system will be “re-set”).

To ensure that the Government’s overall Spending Controls are adhered to the amount of funding distributed to local authorities as RSG will be the difference between Local Government Spending Control totals and the locally retained rates i.e. the Local Government Spending Control total will equal retained business rates income plus Revenue Support Grant.

It is already clear that the new scheme is significantly more complex than the current scheme, that it transfers risk to local from central government and that 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 would be retained locally.

4.1.3.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.

As part of the 2010 Spending Review the Government announced that the current national Council Tax Benefit Scheme would be abolished and local authorities would be required to establish their own 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. Local Authorities have the freedom to design a scheme for working age claimants and to decide how to manage the impact of the reduction in funding.

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 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. However, the amount of grant transferred into the business rates retention mechanism will only be 90% of the Government's forecast of the 2013/14 subsidy.

The Government's forecast has no allowance for inflation (i.e. assumes that no council will increase council tax) and is based on an assumption of reduced caseload volumes (2.3% reduction presumably due to an assumption that the economy is starting to grow). Local caseloads indicate a trend of around 2% p.a. increases and this, together with the impact of a potential council tax increase and the negative impact on collection levels gives an estimated funding shortfall of £3.1m for this council in 2013/14.

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, however it is clear that the Government expect local authorities to do this.

Town & Parish Councils need some early certainty about their tax base for next year in order to determine their budgets and precepts for 2013/14. There is therefore very little time to engage in a dialogue on the appropriate treatment of the grant. Despite waiting until 19th December for the Government to issue the local government finance settlement, when this was eventually announced, it was incomplete and a number of data tables that were released on 19th December and subsequent days were later withdrawn as they contained significant errors. At the time of drafting this report, the Council is still waiting for clarification of what the actual amount of its LCTS scheme grant is attributable to town and parish councils. However, in order to give the town and parish councils as much notice as possible we contacted them with indicative figures on 21st December rather than delay further.

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 around 21% 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 13/14 budget strategy.

In October 2012 The Department for Communities and Local Government (DCLG) announced an additional £100m funding available for one year to support local authorities in developing their local council tax support schemes. Telford & Wrekin could apply for £0.336m of this transitional grant. Although this would reduce the initial funding gap to around £2.8m the limitations and criteria imposed to the design of the scheme would result in a funding shortfall in 2012/13 of around £0.680m which would have to be met from savings elsewhere across the Council on top of the other existing very challenging targets. Further, as the funding is only one off the shortfall would increase to just over £1m in future years. Changing the proposed scheme at this late stage would also require further consultation which would result in additional costs. The Council will therefore not apply for transitional grant funding.

The proposed scheme is likely to have an impact on council tax collection levels as some claimants who previously received 100% council tax benefit will in future receive council tax support of around 79% and they will therefore have some council tax to pay.

Council tax is accounted for in the Collection Fund and any surpluses/deficits are shared between the billing authority and major precepting authorities. Collection levels will therefore need to be monitored closely in 2013/14 as the financial risk is higher than previously.

The Council also receives an administration grant which covers both council tax and housing benefits administration and we have received notification that this will be reduced by £0.110m to £1.4m in 2013/14 which has been included in the 2013/14 budget strategy. The grant is likely to further reduce in future years as housing benefits transfer to Universal Credit which is to be administered by DWP.

The introduction of Universal Credit is one of a number of changes to the welfare system in the Welfare Reform Act 2012. The Universal Credit is a new single payment for people looking for work or on a low income. It will cap the total amount of benefit that can be claimed and will restrict Housing Benefit entitlement for social housing tenants whose accommodation is larger than the Government deems them to need. The introduction of Universal Credit will be going live in pathfinder areas in early 2013 and then will be rolled out nationally from October 2013 on a geographical basis, to be fully implemented by 2017. Some claimants may find budgeting more of a challenge due to a change from weekly to monthly payments. It is also likely to impact on the Council, both directly as set out above and as a result of increased demand for other services from those suffering financial hardship.

Another significant change is that from April 2013, elements of the Social Fund budget (Community Care Grants and Crisis Loans) will be devolved to upper tier councils who will need to develop localised implementation plans. The main issue arising from this is whether or not funding devolved will be sufficient to meet local needs.

DCLG have stated that funding will be made available to local authorities, under the principle of new burdens, for the administrative costs of moving to local council tax support schemes and initial funding of £30m was made available nationally to assist local authorities with the change (circa. £0.080m for each Billing Authority).

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

As part of changes being made by the Government to the NHS, Public Health functions are due to transfer to either upper tier Local Authorities, or 2 new NHS national bodies-Public Health England and NHS Commissioning Board. The transfer of this additional

responsibility to local government takes effect from April 2013 when PCTs are abolished and will be funded by a new ring fenced grant which can only be used for Public Health activities.

In June 2012 the Government issued a consultation document “Healthy Lives, Healthy People: Update on Public Health Funding” which set out proposals on how the £2.2bn, estimated to be the amount of funding that should transfer to local government, could be allocated to different Councils out of £5bn available nationally for Public Health. Under these proposals, taking into account inflationary information provided by the Department of Health and proposed additional adjustments, Telford & Wrekin estimated that we could receive an allocation of between approximately £8.2m and £10.4m. However the actual announcement has been deferred yet again by Department of Health to sometime in January which is not helpful for planning or consultation.

The position is further confused as the current budget identified by the PCT for the Public Health functions which will become the Council’s responsibility is £10.4m, though recent analysis indicates spend of around £9.1m this year on those functions plus a further £0.3m spend remaining with the new Clinical Commissioning Group. The remaining £1m represents a contingency amount. The basis of the £8.2m projected allocation was a financial return for Public Health Spend in 2010/11 completed by the PCT, but the Council and the PCT made a joint representation to the Department of Health on what they considered to be a flawed national exercise. The PCT in addition to making further investment in the Public Health budget in 2011/12 also underspent significantly in 2010/11 so the return gave an understated position of the actual level of budget required for current service levels and this was communicated to the DoH in April 2012. It is still unclear whether this will be taken into account in the allocation.

Council and PCT officers have been working closely to ensure a smooth transition of Public Health functions. Information on existing contractual commitments, staffing and existing budgets is being considered to assist with the development of the first Council Public Health budget at a detailed level. Appendix 13 details proposals for savings options to deal with the ongoing uncertainty around the level of PH grant allocation plus the need to contribute to the overall Council savings strategy which results from the government grant cuts of 27%+ over the current CSR period faced by local government. Clearly with the transfer of a significant new area of responsibility to the Council and with considerable uncertainty over the level of grant available, it is prudent to replicate, in part, an element of the contingency referred to above.

4.1.4 Local Government Grant Settlement

Whilst the Autumn Statement sets the strategic financial overview for the Government as a whole over the medium term, the provisional local government finance settlement sets out the specific proposals affecting local government for 2013/14 with details for each council being provided. It is only when this announcement is made that the Council can accurately predict its likely financial position for the coming year. Fundamental changes are being made to the local government finance system from 2013/14 and despite persistent requests for an early settlement from across the local government community so that effective financial planning could be undertaken, the settlement was not announced until 19th December 2012.

This extremely late announcement makes planning and forward projections extremely difficult and compresses the time available for consultation. There have been long delays in the provision of key information even after settlement day and a number of the files initially issued by the government have been recalled as they contained significant errors which have combined to make this settlement very challenging to analyse.

The Secretary of State announced that local authorities will face an average reduction in spending power of 1.7%; and that no local authority would experience a decrease of more than 8.8% to its “revenue spending power” – a definition which encompasses an individual authority’s:

- New Efficiency Support Grant (see below)
- Council Tax
- Start-up funding assessment
- Specific Grants
- NHS funding for social care.

Comparative information for Telford & Wrekin Council is shown below:

| | |
|---------------------------------|-----------|
| Adjusted 2012/13 Spending Power | £149.614m |
| 2013/14 Spending Power | £148.423m |
| Year on Year Change - £ | -£1.191m |

| | |
|-------------------------|-------|
| Year on Year Change - % | -0.8% |
|-------------------------|-------|

The Secretary of State also announced:

- Local Authorities will be able to use proceeds from the disposal of assets from 2012/13 to fund equal play claims.
- That the Secretary of State for Health would be announcing Public Health funding allocations alongside the provisional local government finance settlement. However, it now appears that a final decision has not been made regarding the allocations and the announcement will be delayed until sometime in the New Year.
- Confirmation of the previously announced council tax freeze grant offer: i.e. an amount equivalent to a 1% increase in funding for 2013/14 and 2014/15, for a 0% council tax increase in 2013/14; and up to a 2% increase being allowable before a referendum is required.
- An allowable £5 increase in council tax (even if it is above the 2% threshold) for Shire Districts, Police and Crime Commissioners and fire and rescue authorities whose 2012/13 council tax was in the lower quartile of their category of authority.
- Subject to consultation, the government propose that there will be no access for councillors to the Local Government Pension Scheme in England from April 2014.
- The government will pay a revenue grant (Efficiency Support Grant) to 7 Local authorities in 2013/14 and 2014/15 who would otherwise have seen a reduction in 'revenue spending power' of more than 8.8% in 2013/14. The grant will be offered to these authorities, providing they sign up to conditions for 2013/14 e.g. joint working. This grant will not be offered for 2014/15 to an authority if it fails to deliver on the conditions agreed upon.

| | |
|--|---------------|
| Telford & Wrekin Settlement Figures: | £m |
| Grants Rolled in using Tailored Distribution | 5.655 |
| Relative Needs Amount | 48.700 |
| Relative Resources Amount | -12.380 |
| Central Allocation | 23.275 |
| Floor Damping | -1.579 |
| Adjustment for Central Education functions within LACSEG | -3.717 |
| Grants Rolled into Start Up Funding: | |
| Council Tax Freeze Compensation | 1.399 |
| Council Tax Support Funding | 10.302 |
| Early Intervention Funding | 5.852 |
| Homelessness Prevention Funding | 0.087 |
| Lead Local Flood Authority Funding | 0.117 |
| Learning & Disability Funding | 7.004 |
| Start Up Funding Assessment | 84.715 |
| Made up of: | |
| Revenue Support Grant | 50.872 |
| Retained Business Rates (CLG Estimate) | 31.806 |
| Top Up | 2.037 |
| | 84.715 |

| | |
|---------------------------------------|----------|
| Telford & Wrekin Safety Net Threshold | £31.305m |
| Telford & Wrekin Baseline Need | £33.844m |
| Telford & Wrekin NDR Baseline | £31.806m |

| | |
|---|--------------------|
| Percentage reduction in NDR before Safety Net Threshold reached | 7.98% (£2.538m) |
|---|--------------------|

A written statement was provided by the Parliamentary Under Secretary of State for Communities and Local Government (Brandon Lewis) relating to council tax. In this statement, he outlined how the level of council tax freeze grant would be calculated, the principles to be applied to calculate 'excessiveness' in the increase in council tax for 2013/14 and the applicability of these announcements to local precepting authorities.

The availability of council tax freeze grant for 2013/14 was announced on 8 October 2012. Further details of the level of grant that will be available and how it will be paid have now been provided.

- Those Authorities and Police and Crime Commissioners who do not increase their basic amount of council tax will receive a grant equivalent to 1% of the average Band D council tax for 2012/13, multiplied by its council tax base for 2013/14, *adjusted to exclude the reductions given to those receiving council tax support.*
- The council tax freeze grant will be provided for both 2013/14 and 2014/15 and be paid in 10 instalments in each financial year under section 31 of the Local Government Act 2003.
- The Secretary of State has determined that for those Authorities who increase their relevant basic amount of council tax in 2013/14 by more than 2%, must hold a referendum

Local precepting authorities will not be eligible for the council tax freeze grant, nor will principles for an excessive increase be applied by the Secretary of State for 2013/14. The Secretary of State has indicated that he will revisit this issue for 2014/15, based on experience of the level of council tax increase in 2013/14.

A period of consultation will be held on the provisional settlement until 15th January 2013 with a final announcement not being made until late January or early February 2013.

4.2 LOCAL CONTEXT

4.2.1 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 £3.1 m arising from the LCTS scheme which will be implemented next year.

It's anticipated that when the Council eventually receives its Public Health Grant this will also be set at a level significantly below the current level of spending by the PCT representing a further grant cut.

4.2.2 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.

So far, the Council has taken the following measures to reduce its costs:-

Staff

- Since 2009 the Council has already 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

Council buildings

- We are disposing of 24 council properties
- We have reduced our office space by one third, reducing 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

Cutting council tax benefit payments

- As explained above, the Government is cutting the grant it pays to the Council for council tax benefits equivalent to a further £3.1million cut. The Council has therefore had to approve a revised support scheme which will be put in place from April 2013. We have to reduce the level of council tax benefit paid to working age people by around 21 per cent but are protecting pensioners and severely disabled people. This will affect more than 11,000 borough households.
- To help offset the Government's cut, we're also reducing council tax exemptions and reductions for people who have empty properties or second homes in the borough

Service reviews

- All Council services have been reviewed to find more efficient ways to provide their services – saving £3.4m a year

“Back office” costs

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

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.

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.

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 for one of our most vulnerable groups.
- 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

Charging more for some services

- Charging more for some services, for example low level preventative care services and increasing some leisure charges – we have particularly focused on charges that have not increased for a number of years or where charges were significantly lower than other councils and providers

4.2.3 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 number of homelessness applications is projected to be 25% higher compared to last year which was 28% higher than 2010/11. In total this is now around 350 applications.
- Unemployment in Telford & Wrekin for people aged 16-24, has gone up from 25.9% (June 2011) to 26.3% (June 2012) or 2,300 people. This follows the regional and national trend, both of which also went up. However Telford and Wrekin remains higher than both regional (23.2%) and national (21.2%) rates.
- The number of Council Tax and Housing Benefit applicants is at an all time high with an increase of 603 over the last year (a 3% increase) when comparing the caseload at 31 March 2011 and 31 March 2012. Our benefit expenditure was more than £4.2m higher (an increase of 5.4%) in 2011/12 compared to 2010/11. In addition, there was an increase of 46.7% in the number of 'change of circumstances' assessments processed by the Council in 2011/12 compared to 2010/11 mainly due to the DWP introducing a new system.

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 320 Children in Care and are now projecting an overspend in the current year of £2.8m. A differential approach to savings targets has been taken, rather than the previous across the board 20% target reductions, to recognise that safeguarding in particular is under considerable pressure and rather than remove funding from this service in 2013/14, the Council will invest an additional £0.6m in to the budget. However, even with this level of investment spending will have to be reduced considerably compared to the current financial year. The service and financial planning strategy agreed in March assumed that savings of £1.703m against budget would be made from the safeguarding budgets in 2013/14. This is clearly no longer a reasonable assumption as it would require savings totalling £4.5m to be achieved next year. The savings assumption will therefore be deleted for next year and additional funding of £0.6m will be built in to the budget. However, this will mean that savings of £2.2m will still be required against the current level of spend. An action plan has therefore been prepared which will be rigorously monitored with progress reported regularly to Members. The 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 |
| £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 | |
| Additional target 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. The new personalised model of service delivery is based on 4 key actions:

- Firstly the establishment of enablement and reablement for the vast majority of service users prior to assessment for ongoing service eligibility and care planning with the objective of reducing or, where deterioration is occurring, stabilisation of pre-existing care package costs.
- Secondly utilisation of assistive technology as a preventative measure and as an alternative to personal care provision.
- Thirdly the development of personal budgets and self directed support by individuals as an alternative to council led service determination.
- Fourthly signposting of individuals to community and voluntary sector based support as an alternative to council funded provision.

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 13. 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 next year 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.

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.

4.3 OUR STRATEGY

4.3.1 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 4.0. 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.

4.3.2 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 out in Appendix 6.

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** – As set out in section 4.2.3, we are also proposing to invest £600k 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. This investment 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.
- 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. As flagged elsewhere in the report, unfortunately Department of Health has still not been able to announce allocations though it has said that allocations to this area will reduce over an unspecified period. The Council is thus having to plan savings options to manage within possible grant allocations plus contribute to the overall Council savings strategy. 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 by 2014/15 will invest £2.5m of the available grant funding in protecting and enhancing 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 participating 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.

4.3.3 Savings

Over the last four years we have made £41.7m. of ongoing annual savings. 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 and 4 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 £114m over the medium term. The planned profile of these receipts is shown below:

| | £m |
|--------------|-------|
| 2012/13 | 33.5 |
| 2013/14 | 40.1 |
| 2014/15 | 11.8 |
| 2015/16 | 12.4 |
| 2016 onwards | 16.3 |
| Total | 114.1 |

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 dependency will therefore continue to be subject to close monitoring. If any delay is experienced in generating expected receipts, mitigation factors could include a combination of re-phasing some 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 additional 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. This is open to any employee, and is aimed at reducing the Council's pay bill and creating opportunities for employees 'at risk' of redundancy. 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. 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 is an updated schedule of savings originally released for consultation at Cabinet on 20th September 2012. A number of changes have been made to the proposals since they were issued:-

| | 2013/14 £m | 2014/15 £m | 2015/16 £m | 2016/17 £m | Total £m |
|--|---------------|---------------|---------------|---------------|--------------|
| Total per Cabinet report 20 September 2012 | 7.481 | 4.109 | 0.559 | 0.058 | 12.207 |
| Delete Care & Support contract inflation saving | -0.300 | -0.150 | | | -0.450 |
| Delete Catering £15k (leakage) | -0.015 | | | | -0.015 |
| Delete ICT £30k schools saving (leakage) | -0.030 | | | | -0.030 |
| Delete Safeguarding Savings proposals | -1.703 | -0.965 | | | -2.668 |
| Reduce “various youth activities” saving by £20k | -0.020 | | | | -0.020 |
| Reduced saving to fund IGMT management support | -0.037 | | | | -0.037 |
| | 5.376 | 2.994 | 0.559 | 0.058 | 8.987 |

This shows that around £5.45m will be available from this schedule to support the service and financial planning strategy in 2013/14. An additional schedule of new savings is included at Appendix 4. Further work is ongoing developing proposals to meet savings targets that have been issued to most council service areas (excluding safeguarding). A differential approach to targets has been taken, rather than the previous across the board 20% target reductions, to recognise that safeguarding in particular is under considerable pressure and rather than remove funding from this service in 2013/14, the Council will invest an additional £0.6m in to the budget. However, even with this level of investment spending will have to be reduced considerably compared to the current financial year. Impact assessments and service user engagement will be undertaken during 2013 as more specific proposals are developed. During 2013/14, we will need to consider which services the Council may have to cease to provide in future years.

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.

As results from public consultation, including on proposed savings and council tax levels, become available over coming weeks and further information on funding and budget pressures comes to light the budget projections will continue to be refined and proposals for addressing the remaining budget gap will be firmed-up. Updated projections and proposals will be presented to Cabinet in February and where necessary further public engagement will then take place.

4.3.4 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 have been 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 213/14 | 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 proactive and positive 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.

4.3.5 Base Budget, Balances and Contingencies

A summary of the Base Budget position is included at Appendices 9a and 9b which shows a net base budget of £142.465m for 2013/14 giving a base budget funding gap of £10.034m.

Appendix 10 summarises the overall balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This shows around £3.67m 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 projected underspend in the current year of £4.607m. Whilst much could change in the remainder of this year, it is reasonable to assume that it should be possible to carry forward at least £2.5m of this underspend to create a one-off contingency to support the budget in 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 increase provision for

severance costs as it is likely that further posts will need to be deleted by the Council for the foreseeable future. Given the likely availability of a significant one-off contingency for 2013/14 and a fundamental review of budgets to ensure that for example key income budgets that have consistently reported shortfalls are put on to a sustainable basis, the ongoing contingency of £1.6m has been deleted in 2013/14 but will be replaced and increased to £2.5m from 2014/15. This is reflected in the forward projections for future years. An additional contingency of £0.8m is proposed in respect of public health given that the existing public health budget includes a contingency element of around £1m and this is a new significant responsibility transferring to the Council. No allowance has been made for any pay award in 2013/14 or 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 in order to achieve a realistic budget during these years. 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.

4.4 MEDIUM TERM GENERAL FUND STRATEGY

| Projected Budget Gap | 13/14 £m | 14/15 £m | 15/16 £m |
|---|---------------------|---------------------|---------------------|
| Base Budget gap (including impact of further grant losses assumed as a result of the Autumn Statement and 2013/14 grant settlement) | 10.034 | 23.993 | 33.737 |
| Add back one-off contingency (re. public health uncertainty over grant allocation and new function) | 0.800 | 0 | 0 |
| Savings proposals issued in September | -5.376 | -8.370 | -8.929 |

| | | | |
|--|--------------|--------------|---------------|
| 2012 (Appendix 3 – after leakage) | | | |
| Further savings (Appendix 4 – after leakage) | -3.235 | -6.714 | -6.714 |
| Funding protecting key services that address the wider determinants of Public Health | -1.200 | -2.500 | -2.500 |
| 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 | 0.009 | 3.964 | 12.050 |

4.5 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 £0.646m 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. A comparison of the global figure with what we could have expected under the old funding system, however, demonstrates a reduction in the Dedicated Schools Grant (DSG) of approximately £0.280m. The indicative DSG for 2013/14 for Telford & Wrekin is £120.780m 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 - £96.384m – 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 - £15.416m.

The DSG is supplemented by pupil premium of £900 per pupil giving a total of expected Pupil Premium for Telford and Wrekin 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 before the end of January 2013 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 will not be confirmed until early in the New Year. 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 the 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 £2.440m to the

Council of un-ringfenced grant funding, approximately £0.206m more than anticipated. 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.

4.6 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.

In September 2012 Cabinet agreed additional budget savings proposals. Appendix 11 shows progress on those savings proposals which needed further exploration around the need for an equality impact analysis and/or engagement.

For proposals where implications have been identified and are at a sufficiently developed state a proportionate impact analysis was carried out. Appendix 5a details developed impact assessments. 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.

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.

During the Winter/Spring of 2012-13 we will be refining additional proposals and targets into specific savings. A scoping exercise to determine which new draft proposals require an equality impact analysis and/or engagement is shown at Appendix 12. Targeted engagement with service users and stakeholders tend not to involve large numbers of people because we are looking for a precise reflection of the service and the specific impacts that these types of changes can have.

During January 2013 we will be carrying out a communication and engagement programme to raise awareness of the draft budget strategy for 2012/13. Appendix 15 details this programme.

4.7 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 5b and 5c provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.

An economic impact assessment has also been undertaken for those proposals that have a significant individual economic impact (and is included in Appendix 5b and 5c. 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.

4.8 NEXT STEPS & TIMETABLE

As in previous years, communicating and engaging with the community on our future plans will be a key part of the budget process. We will be asking for 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.

Our approach is to begin communication and engagement immediately after the publication of the draft budget strategy on 4th January 2013 and formal consultation from after the Cabinet meeting on 10th January 2013. Our communication and engagement plan includes (further details are included in Appendix 15):

- 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;
- Facebook, Twitter, write in, ring in or text in your views and comments;
- A postal survey of the Community Panel;
- Meetings with a range of groups and organisations;
- An open public meeting;
- Ongoing press releases;
- Formal consultation with the Budget & Finance Scrutiny Committee.

The consultation period will run through to 10th February 2013 in order that careful consideration can be given to the views expressed by the Council’s cabinet when preparing their final report and recommendations to full Council.

The Budget & Finance Scrutiny Committee should also have the opportunity to scrutinise any alternative budget proposals put forward by Opposition groups prior to Cabinet in February. The Chair of the Budget & Finance Scrutiny Committee will present the recommendations of the committee at the Cabinet meeting in February.

Due to the complexity of the budget setting process with a wide range of proposals for savings there is the potential for a number of small changes to have a large cumulative effect. We will therefore conduct a full impact assessment of the cumulative impact of all of the budget proposals, to be considered as part of the Cabinet report 28th February 2013.

Final proposals will be considered by the Council's Cabinet on 28th February 2013 and full Council will consider the recommendations from Cabinet and Scrutiny / Opposition Groups on 7th March 2013.

5. BACKGROUND PAPERS

- Comprehensive Spending Review Announcements – Treasury Website
- Autumn Statement – Treasury Website
- Public Finance E bulletin 7th December - Analysis of Autumn Statement.
- Revenue Support Grant 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
- 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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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.

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| <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> | | | | | |
| Max 6 Agency SWs by April 13 | 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> |
| Max 2 Agency SWs by September 13. | | | | | |
| Max 0 Agency SWs by April 14 | | | | | |

Objective 2: Viv McKay/Angela Yapp (Karen Perry)

¹ Based upon appointing 5 social workers over establishment.

| 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). | | | | | |
|---|-------|-------|--|--|--|
| 40 RP by end of March 13. | 1,192 | 1,413 | <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) Using a JIGSAW house as an assessment centre if this is confirmed as a viable option (VMcY) Recruiting 2 contract foster carers (VMcY/AY) Consider external procurement of | <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 Employer with strong culture of social responsibility identified and link made for future targeting visit CAMHS advice available to foster carers | March 13 March 14 March 14 |
| 32 RP by the end of March 14 | | | | | |
| 30 RP by the end of March 14 (with 1 contract carer) | | | | | |

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| | | | respite care <ul style="list-style-type: none"> • 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 | via Family Connect from February 2013 <ul style="list-style-type: none"> • SSW Family Placement appointed – in post by Feb 2013 | |
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| 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 | | | | | |
| 300 CiC by April 13 | 556 | 1,009 | <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 | <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 | April 13 April 14 |

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| <p>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>across the Borough on a multi-agency basis (Telford Compact) <i>(DL)</i></p> <ul style="list-style-type: none"> • 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> • 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. <i>(VMcY)</i> • Council services working together to mitigate against bringing a child/s into care. <i>(KK/CJ)</i> • Implement Community Action Research Programme (part of Strengthening Families Task Force <i>(CJ)</i>) • Commission Morning Lane to undertake case analysis of recent admissions as part of externally funded support for safeguarding reconfiguration | <ul style="list-style-type: none"> • 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> |
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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

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| | 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 |
| Total | 2.198 | 3,392 | | | |

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| Savings | | | | | |
| Proposed Investment | 600 | | | | |
| Total | 2,637 | | | | |
| Proposed Budget 13/14 | 2,798 | | | | |

Risk Matrix

| Risk | Mitigation |
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| <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 | <ul style="list-style-type: none"> • Use Capacity Fund and existing balances to provide additional one off capacity where needed |

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| children and family service | <ul style="list-style-type: none"> • 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 |