

**TELFORD & WREKIN COUNCIL**

**CABINET – 26 FEBRUARY 2015  
COUNCIL – 5 MARCH 2015**

**SERVICE AND FINANCIAL PLANNING 2015/16 TO 2017/18**

**REPORT OF THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER**

**LEAD MEMBERS Cllrs K. SAHOTA and W. McCLEMENTS**

**1. INTRODUCTION**

This report seeks approval of the Service & Financial Planning strategy for the three year period 2015/16 to 2017/18 with specific budget proposals for 2015/16. This overview report, along with other linked reports on the agenda covering:-

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

form the Council's overall Medium Term Service & Financial Planning framework and proposes the service priorities and budget for 2015/16 as well as savings proposals that will be delivered over the next two years and a medium term capital programme.

The Council published its draft budget proposals for 2015/16 on 5 January 2015 and they were approved at Cabinet on 8 January 2015. A one month consultation period commenced after publication of the Council's service and financial planning proposals. The results of the consultation exercise are included in this report but the results are summarised in section 4 below with further information detailed in Appendix 17.

**2. OVERVIEW.**

Following the consultation process, the Cabinet has confirmed its key budget strategy proposals for 2015/16 and later years as:-

**Freezing Council Tax for the next year 2015/16.**

**A commitment to freeze council tax again the following year in 2016/17. This will see the Council freeze frozen for three years in a row, keeping council tax as low as possible. This is possible because of the Council's**

**record of good financial management.** Telford & Wrekin's council tax is already the third lowest in the Midlands.

**Continuing to deliver jobs and investment** - to create jobs for local people and provide additional income from business rates, "New Homes Bonus" and additional council tax. This income, worth £10,000,000 next year, is used to directly support existing front line council services by reducing the cuts we would otherwise have to make.

**Continuing to protect frontline services** through good financial management. The Council has already delivered over £70,000,000 of savings and protected front line services as far as possible. Despite unprecedented Government cuts, we have sought to protect front line services for children, adults and the environment. The proportion of cuts to adult services in Telford & Wrekin is well below the national average and the cuts that we have made have been achieved in ways that protect vulnerable adults. This service and financial planning strategy makes £2.5m additional one-off funding available to Adult Social Services in 2015/16 to help phase in the savings that will be required to meet the unprecedented reductions in our grants from Government. £0.75m is also made available to Childrens' safeguarding.

**It is thanks to this strong financial management and the early delivery of savings that, despite the unprecedented cuts in grants from Government, the Council can make a number of investments to support a number of our priorities. These are:-**

**Protecting and creating jobs by being a 'Business Supporting, Business Winning Council'**

1. A £1,000,000 fund to help revitalise and invest in the high streets of borough towns and district centres. Our local and district centres are a key part of community life. The bulk of this money, £800,000, will be in a fund that town and parish councils, regeneration partnerships, businesses and charities can bid for, while a further £200,000 pot will be used to invest in a range of events to attract even more people to these areas. This will support the invigoration and promotion of our high streets and local centres.
2. A further £250,000 investment in "Destination Telford" initiatives and events over the next three years to promote Telford as a place to live, work, visit and enjoy.
3. Spending just under £4,000,000 over two years to roll-out Superfast Broadband to parts of the borough where there is no broadband infrastructure and broadband suppliers are unlikely to invest in. When complete, this will see 96% of homes in the borough having superfast broadband coverage.

**Ensuring that neighbourhoods are safe, clean and well maintained**

4. Maintaining and improving our highway and transport infrastructure is a critical priority for many local residents as well as supporting economic growth. To this end a £6,000,000 (capital) investment into road, footpath and other highway improvements will be made over the next 3 years. This investment is in addition to Government funding and the Council's Pride In Your Community programme.
5. Following the success of our Community Pride Fund in 2014/15, which was oversubscribed, a £1,000,000 (capital) Community Pride Fund for 2017/18 will be created. Again, local organisations, communities and businesses will be able to bid for this funding.
6. A borough wide environmental investment programme of £750,000 over 2015/16 and 2016/17 in addition to the two year £13,800,000 Pride In Your Community programme begun in 2014/15 to help tackle key environmental issues that residents regularly raise and to continue investment in Parish Environmental Teams in 2016/17. These teams funded by Telford & Wrekin and the relevant town or parish council, carry out local environmental work in their area over and above work by Telford & Wrekin Council. There are currently nine Parish Environmental Action teams in the borough providing these enhanced environmental services to residents.

**Improving the health and wellbeing of our communities and addressing health inequalities**

7. Providing free swimming for residents over 50, for four years, will be funded at a cost of around £200,000. Taken with our existing free swimming offer for under 16s, this will mean that 54% of the borough's population would be able to swim for free.

**Regenerating those neighbourhoods in need and working to ensure that local people have access to suitable housing**

8. Continuing to support the regeneration of our local centres by providing £650,000 (capital) investment into St Georges to refurbish the Council's former Gower Street youth club.
9. Food bank confirmed funding for another year of £33,000 that provides essential support for local families in financial crisis.
10. Initiatives for crisis support and cheap loans to help borough residents to avoid needing to turn to expensive pay day lenders and start saving regularly, totalling £240,000.

**Improving local people's prospects through education and skills training**

11. We will continue and complete our medium term £187,000,000 investment to improve school infrastructure through our Building Schools for the Future programme.
12. Further to the investment of £650,000 in the current year, which has helped to reduce unemployment by almost a third in the borough over the

last 12 months, a second year of investment in our youth unemployment Job Box initiatives of a further £650,000, will allow us to work with borough businesses to help them find more ways to take on and employ young people from the borough.

**Protecting and supporting our vulnerable children and adults -**

Safeguarding vulnerable children and adults is our top Council priority. We continue to ensure that services have the financial resources to do this and are making one-off additional ring-fenced funding available for 1 year:

13. £750,000 for Children's Safeguarding, to protect and support vulnerable children.

14. £2,500,000 for Adult Social Care, to protect and support vulnerable adults – this is an increase of £1,250,000 on that proposed in January to respond to requests from scrutiny and the community during our extensive consultation process and can be afforded given the significant additional benefit now available in 2015/16 from the additional business rates generated by the Council's growth agenda, including the developments at Southwater.

**3. CHANGES TO THE COUNCIL'S FINANCIAL POSITION SINCE THE DRAFT BUDGET PROPOSALS WERE APPROVED FOR CONSULTATION.**

The provisional Local Government Finance settlement was announced on 18<sup>th</sup> December and the final settlement for 2015/16 was announced on 3<sup>rd</sup> February 2015. The net impact of the changes in the final funding settlement resulted in an increase of £0.276m Revenue Support Grant for the Council. Updated projections for estimated income from business rates show a further benefit of £1.185m next year arising from strong growth in the local economy, including additional rates income generated by the developments in Southwater.

**4. SUMMARY OF CONSULTATION AND ENGAGEMENT ACTIVITY AND FEEDBACK.**

Targeted consultation and engagement has taken place throughout the year, related to the proposals put forward in the 2014/15 budget report. Specific proposals in the 2015/16 budget report will be subject to consultation and engagement where appropriate.

As in previous years, communicating and engaging with the community on our future plans is a key part of the budget process. Consultation began on 5

January 2015 and ended on 8 February 2015. Our approach was made up of 3 key elements:

- i) Demonstrating Council achievements since 2011, linking with an earlier major consultation and asking people to tell us again.
- ii) Highlighting some simple ways that residents can help the Council to save more money.
- iii) Communication of key budget messages including the growth agenda.

To encourage people to find out more about the budget, hear about the Council's proposed investments, engage with the 'Together we care about the future' key questions and find out ways they can help save money we went around the Borough with a road show in January and early February. The road show was a portable informative 'mini exhibition' which demonstrated the above three key elements. We make the road show as participatory as possible, including offering local people an opportunity to have conversations with the Lead Member for Finance and Enterprise, other Cabinet Members and senior managers.

In total **2,594 contacts** were involved with this consultation programme. Our communication and engagement plan included at Appendix 11, further information about how we undertook consultation is included in section 32 of this report details of the results are included in Appendix 17.

The Cabinet Member of Finance and Enterprise, the Chief Finance Officer and relevant senior managers, between them attended a number of local groups and forums and our interactive road show which visited a number of areas across the Borough gave local people an opportunity to hear about the budget and future plans and speak with Cabinet Members and senior managers. The Community Participation Team also went out and about in local buildings across the Borough.

With regard to our 'Together we care about the future' consultation a total of 1,608 completed the survey and 103 people completed the questionnaire on the proposed Council investments.

During the budget road show, visits to local groups and forums and out and about at local buildings a total of 718 people had the opportunity to have their views heard.

People also got involved and gave their views on the budget strategy via social media, including Facebook and Twitter attracting a total of 113 comments and 65 comments were received on specific savings.

Communication activity to encourage people to get involved in the budget consultation included two live Twitter discussions with Cllr Bill McClements who also undertook two radio interviews.

## **Headline findings from consultation**

### **‘Together we care about the future’**

- 37% of people said that the best thing about the borough is the range of shopping and recreational activities. This was followed by 34% of respondents who said that the best thing is the borough’s parks, play areas and open spaces and 15% who said that the best thing about Telford and Wrekin is its heritage and local identity.
- 21% of respondents said that their biggest concern or problem relates to highways and pavements. 17% identified concerns with environmental issues (including street cleanliness, litter and fly tipping). 17% also highlighted problems with safety (including crime and anti-social behaviour)
- 14% of respondents would like to see improvements made to highways and pavements. 13% would like further improvements to the shopping and recreational offer in the borough, and 12% would like to see improvements made in dealing with environmental issues.

### **Investment proposals**

- 75% of people responding to the investment package survey supported the package overall with 25% neutral, with a majority of respondents supporting each separate proposal.
- The proposals with the highest level of support was a further £650,000 for youth unemployment initiatives (89%) followed by £30,000 for the local food bank, £240,000 for crisis support and cheap loans, and £1million for a second round of Community Pride Fund in 2017/18 – all with 82% support.
- Proposals with lower levels of support, but with still a majority of respondents supporting , included £200,000 for free swimming for over 50s (56%) and 62% for £650,000 for St Georges regeneration) and £4m for superfast broadband rollout (63%).

## **Our Response to What People Told Us**

We received 65 comments on individual savings and we now propose three key changes to our original proposals:-

- The saving related to changes to the remissions policy for fees for Arthog and the Music Service has been deleted,
- A proposed saving from rationalisation of expenditure and income budgets at the Arthog Outdoor Centre of £50k has been reduced to £17k and
- An additional £1.25m one-off funding on 2015/16 has been set aside for Adult Social Services. This has been funded from additional business rates income arising from the Council's proactive work to support and encourage business investment.

## 5. **SUMMARY**

Since 2010, Telford & Wrekin Council has faced unprecedented cuts in Government grant whilst at the same time demand for many services, such as safeguarding children against harm or neglect have been increasing.

However despite our severe financial constraints, Telford and Wrekin is going places; it is a place on the up. The economy is growing and jobs are being created. New houses, factories, shops and restaurants are being built and the population is growing. People want to live in the Borough. People want to work in the Borough. People want to visit. There is a buzz about town.

There are still very real social and economic challenges in the Borough with 14 (of 108) neighbourhoods ranked within the 10% most deprived in England and 18.5% of children living in poverty. To ensure a cohesive community, all households and families must have the opportunity to benefit from our growing economy and play a positive role in the social and cultural fabric of our communities.

Our medium term service and financial planning strategy sets out how as a co-operative Council, the organisation wants to take forward the Borough over the next 5 years. It is a vision which is centred on building a strong local identity and resilient and healthy communities by driving economic growth whilst protecting and enhancing our reputation as a "green town".

The Council has had to make very significant ongoing reductions to its revenue budget due to the scale of the Government's funding cuts and the pressures for extra services to be delivered for example to protect "Looked After Children" from harm or neglect. These cuts now total over £70m pa which equates to a cut in spend of over £950 for each household in the Borough and by 2017/18 the cuts are expected to total over £100m – the equivalent of around £1,400 less, every year, that the Council will have to spend on providing services for each household in the Borough. This report sets out further savings that need to be made although the majority of the savings requirement for next year was approved at Council in February 2014 which has enabled work to progress on these initiatives.

Savings proposed for 2015/16 (including those already approved by Council as part of the 2014/15 – 2015/16 service and financial planning strategy) are summarised in the table below:-

Service Area	2015/16 Savings			Total
	Already Approved	Adjustments	Ongoing	
	£	£	£	£
Neighbourhood & Leisure Services	833,000	-	317,000	1,150,000
Finance, Audit & IG	5,000	-	-	5,000
Law, Democracy & People Services	94,534	49,000	1,000	144,534
Cooperative Council Delivery Unit	40,000	-	250,000	290,000
Childrens Safeguarding & Specialist Services	384,000	-	325,000	709,000
Education & Corporate Parenting	207,850	-	216,503	424,353
Family, Cohesion & Commissioning	984,744	-	59,000	1,043,744
Public Health, Wellbeing & Public Protection	164,906	-	200,000	364,906
Adult Social Services	1,636,000	- 1,586,000	2,641,000	2,691,000
Customer Services	922,000	155,373	163,000	1,240,373
Development, Business & Employment	1,415,087	-	189,282	1,604,369
Council Wide	-	- 257,000	-	- 257,000
<b>Total</b>	<b>6,687,121</b>	<b>- 1,638,627</b>	<b>4,361,785</b>	<b>9,410,278</b>

In addition a benefit of £0.126m is expected in 2015/16 from the Housing Investment Programme.

**Despite the severe financial challenges we face, our mission is clear. We are attracting new jobs and investment and promoting growth in the borough, whilst seeking to protect, as far as we are able to, priority front-line services and are working co-operatively with our residents and partners to deliver these.**

While many other councils have focussed on making cuts while neglecting growth and stopped major building projects, we continue to invest to create jobs and safeguard the future prosperity of the Borough and its residents:

- Our £250m Southwater scheme is now open, kick-started by Council investment this has created over 400 jobs, safeguarded a further 300 and created a vibrant heart to the town as well as a regional leisure attraction.
- The owners of The Town Centre Shopping Centre are progressing a £200m expansion programme creating a further 2,000 jobs.
- We have opened a new Town Centre library in the Southwater development.
- Nearly £200m is being invested in improving the infrastructure of our schools and community leisure facilities.
- We are making it easier for businesses to come here and grow, offering support to existing companies as well as attracting new firms and helping to create new jobs.

- We have invested 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.
- Regeneration schemes currently in progress in Hadley, Brookside, Oakengates and Hollinswood and a commitment in this report to allocate £0.65m to St. Georges as well as allocating £1m to re-run the Community Pride Fund and £1m to support the invigoration and promotion of our high streets and local centres. At Cabinet on 29 January a commitment of £0.4m for regeneration works in Dawley was also approved and is now built in to this strategy.

The proposed Capital Programme detailed in a separate report on this agenda totals £293.56m.

As there is a general election in May, following which there will be a Comprehensive Spending Review which will set out the spending priorities of the new Government, there is considerable uncertainty over what the funding allocations for the Council will be after next year. However, given the scale of the national budget deficit and that the annual borrowing requirement is not reducing at the rate the Government anticipated despite the very significant spending cuts that have been made, particularly to local government, it is likely that funding for the Council will continue on the current trajectory – at best – for the period through to 2018/19. As all political parties are committed to protecting the NHS and education spending, it is inevitable that the disproportionate squeeze on local government spending is likely to continue.

If the Council is to minimise the impact of these funding reductions on the essential services that we provide to our community, including many of the most vulnerable members of the community, it is essential that we reduce our dependency on Government grant by working differently with partners and the community and operating in a more commercial way.

Despite these uncertainties, we cannot wait to start identifying savings that will be delivered from 2016/17 onwards and therefore this report identifies a number of themes that will shape the work to be undertaken.

The report also sets out commitments not to increase Council Tax either next year or in 2016/17 and proposals for a number of investments to help deliver against our priorities – as set out in the overview section above. Funding for the investment package is predicated on maintaining tight financial control in the current year to ensure that there is sufficient one-off funding available at year end to cover these commitments and it is therefore essential that all officers and Cabinet Members maintain the effective financial management that has been a hallmark of this organisation in recent years for the remainder of the year. Up to date information on our financial performance is included in the Financial Monitoring report also on this agenda which shows a current projection of £5.7m one-off resources being available at year end.

The report includes summary details of key points announced as part of the Autumn Statement and the provisional Local Government Finance settlement for 2015/16 which was only received on 18<sup>th</sup> December. The final settlement was received on 3 February 2015 and resulted in a net increase in resources of £0.276m next year. The overall service and financial planning strategy for 2015/16, updated for latest available information, is summarised in the table below:-

<b>Projected Budget Gap</b>	<b>2015/16 £m</b>
Base Budget gap as reported to Cabinet 8 January 2015	+2.541
Additional projected business rates income	-1.185
Net additional Savings proposals after cancelling proposed changes to remissions policy for Arthog and Music Service and other planned savings at Arthog	-5.377
Revenue benefit from Housing Investment Programme	-0.126
Pressures – For details please see Appendix 2c but including an increase in the one-off additional ring-fenced funding for adult social services to £2.5m	+5.005
<b>Projected net Budget shortfall funded from the projected 2014/15 underspend</b>	<b>+0.858</b>

Please note that:-

- Debt charges on the recommended capital investments outlined in the capital programme report also on this agenda have been included in this service and financial planning strategy.
- The Council will freeze council tax in 2015/16 and also 2016/17.
- After allowing for the proposed commitments above, the current projection for remaining one-off funding to be available at year end is £2.9m. Clearly, the final figure may be greater or lower than this but any remaining underspend available at year end will be transferred to the severance fund or capacity fund to support the delivery of further savings.

The proposals in this report have been subject to an extensive range of engagement and consultation activities with the community and subject to scrutiny by the cross party Budget and Finance Scrutiny Committee. Conclusions from scrutiny are included at Appendix 16 and the results from consultation are included at Appendix 17. Final recommendations will be considered at full Council on 5 March 2015.

## **6. DRIVING THE DELIVERY OF THE COUNCIL'S PRIORITIES: 9 MONTH PROGRESS REPORT**

In considering the Council's service and financial planning strategy for 2015/16 and later years, it is important to reflect upon current performance. We continue to monitor progress against the Council's Priorities in year.

Appendix 14 sets out progress as at '9 months' (December 2014). Priority 1, 'Putting our Children and Young People first', is an overarching priority and as such does not have any specific performance indicators.

The headline areas of progress include:

- The Council continues to drive both economic and housing growth. Through the stewardship agreement with the Homes and Communities Agency a further £3.1million inward investment has been secured (totalling £19.6 million) and a further 46 jobs (totalling 280) in the last 3 months. Linked to the growth agenda, the Council's programme to tackle youth unemployment, including Job Box, is paying dividends with youth unemployment falling by over 50% (from 33.7% to 15.7%) and unemployment falling by a third (from 9.4% to 6.2%) in the year October 2013 to September 2014, with both achieving lower than regional and national rates.
- Importantly, the Council continues to support the development of the Borough's workforce of the future. Early Years Foundation Stage, Key Stage 1 and Key Stage 2 have seen improvements compared to the West Midlands and National positions. Due to methodology changes there has been a drop in Key Stage 4 (GCSE) achievement in 2013/14 (from 58.6% to 51.2%). Despite these disappointing GCSE examination results the percentage of students attending good or outstanding secondary schools is 87.5%, the best in the West Midlands. Overall, the percentage of schools that OFSTED have graded as good or outstanding has continued to improve since the end of 6 months; progressing from 81.0% to 83.4%.
- Safeguarding children performance has continued to see improvements, especially around the numbers of children in care reducing. Similarly, there are emerging improvements being seen within adult social care and safeguarding. For example the percentage of cases in which the level of risk reduced (from point of referral to point of closure) has improved to 82.6%. Further work is being done to ensure continuous improvement is seen and is being driven by the Care Act Programme Board, Better Care Fund Management Board and the Cost Improvement Plan.
- Since the introduction of the Veolia recycling contract in April 2014 improvements have been seen in waste services. In late 2014 Veolia undertook a satisfaction survey of waste services and 2,100 responses were received. From the survey the percentage of residents that are satisfied with household recycling collection service was 94%. Similarly, high levels of satisfaction were seen across the whole of waste services, including refuse, garden waste and Community Recycling Centres.

A key area of concern is homelessness. The Government's benefit reforms have impacted on young people in Telford and Wrekin. The proportion of homelessness acceptances that are young people aged 16-24 years old is at 71% and remains significantly higher than the national average (28%). A

partnership approach is being taken to tackle this issue and the Homelessness Partnership is driving forward this work, including the development of The Woodlands (a 16 unit accommodation targeting 16-25 year olds with complex needs offering 24/7 support) which will open in March 2015 with a linked facility to support the young people in and out of this accommodation.

## **7. ROBUSTNESS OF THE BUDGET STRATEGY**

The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to give a view on the robustness of the Council's financial strategy including the use of balances and of the financial planning process.

**Appendix 15 gives a more detailed view, but overall the conclusion is that, given the continued delivery of savings which now total over £70m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

## **8. RECOMMENDATIONS.**

Members are asked to approve the following recommendations for consideration by Council on 5<sup>th</sup> March 2015:-

1. To consider the feedback from consultation summarised in Appendix 17 and from Scrutiny in Appendix 16.
2. To approve the base budget summarised by Service Area in Appendix 9A.
3. To approve the freezing of council tax levels in 2015/16 and the commitment to freezing council tax again in 2016/17.
4. To approve the savings package detailed in Appendix 2 and the additional saving from the Housing Investment Programme.
5. To approve the revenue pressures detailed in Appendix 2C including:-
  - The allocation of £2.5m one-off funding for Adult Social Services in 2015/16,

- The allocation of £0.75m one-off funding for Children's safeguarding in 2015/16,
  - The allocation of £0.25m over 3 years for Destination Telford initiatives.
6. To approve the revenue investment of £1m to revitalise High Streets of Borough Towns and District Centres.
  7. To approve the revenue investment of £0.75m over 2 years for a Borough wide Environmental Investment Programme.
  8. To approve the revenue investment of £0.2m over 4 years to provide free swimming for all residents Over 50.
  9. To approve the revenue investment of £33,000 to continue funding for the Food Bank during 2015/16.
  10. To approve the policy framework for Reserves and Balances outlined in Appendix 10.
  11. To approve the revenue implications of the medium term capital programme for the period 2014/15 - 2017/18 set out in the Capital Programme report also on this agenda. This report includes new commitments of £6m Council funding for Roads and Highways over the next 3 years, £1m to re-run the Community Pride Fund in 2017/18, £0.65m for regeneration works in St. Georges and £0.4m for regeneration works in Dawley.
  12. To note the Impact Assessments contained in Appendices 3A, 3B and 4.
  13. To approve the creation of provisions during 2014/15 to fund those investments funded from the projected revenue budget underspend in 2014/15 together with the remaining budget gap of £0.858m with any remaining underspend at year end to be transferred to either the severance fund or invest to save/capacity funds to support the delivery of further savings in future years.
  14. To approve the Pay Policy included as Appendix 5.

15. To note the CFO's robustness statement in Appendix 15.
16. To approve the Corporate Debt Recovery Policy included as Appendix 13.
17. To note the 9 Month Performance Update included as Appendix 14

Recommendations approved for referral to Council by the Cabinet will be considered at full Council on 5 March 2015 as full Council is responsible for setting the overall revenue and capital budget framework. At this meeting full Council will also consider a Council Tax Resolutions report and will set the Council Tax for 2015/16.

## 9. SUMMARY IMPACT ASSESSMENT

<b>COMMUNITY IMPACT</b>	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 are included as Appendices 3 and 4. Due to the complexity of the budget setting process with a large array of proposals for savings there is potential for a number of small changes to have a large cumulative effect. We have therefore conducted a full impact assessment of all of the budget proposals which is included in Appendix 3.</i>
<b>TARGET COMPLETION/DELIVERY DATE</b>	<i>A series of borough wide public consultation activities have been undertaken during January and early February. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered by full Council on 5<sup>th</sup> March</i>	

	<i>2015. The final agreed recommendations will be implemented during 2015/16 and future years.</i>	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	<i>This report sets out the service and financial planning strategy for the council for 2015/16 and the medium term.</i>
<b>LEGAL ISSUES</b>	Yes	<p><i>The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003. This report presents the proposed budget which has been consulted upon in accordance with the Council's Policy Framework &amp; Budget Procedure Rules as contained in the Constitution to meet its Public Sector Equality duty.</i></p> <p><i>It is a legal requirement that the Chief Finance Officer must report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.</i></p> <p><i>The Council is required by law to agree its budget for the financial year 2015/16 and to set its Council tax levels for the year 2015/16 before the 11th March 2015.</i></p> <p><i>The approval of the Council's Pay Policy Statement must, by law, be approved by full Council.</i></p> <p><i>In Accordance with regulations any vote taken at a budget decision meeting of an authority must be a recorded vote</i></p>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	<i>This report sets out the strategy framework which includes consideration of corporate risks – particularly in relation to the availability of balances. Environmental assessment is a procedure that ensures that the environmental implications of Council</i>

		<p><i>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 4 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 Appendix 4 and are broadly neutral in 2015/16 given the reduction in spending by the Council, much of which will reduce economic activity within the Borough although this is broadly offset by the continuation of the proposed investments in the Pride in Your Community initiative, tackling youth unemployment, safeguarding and the other significant capital and revenue investments outlined on the report.</i></p>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes/No	<i>Borough-wide impact.</i>

**10. PREVIOUS MINUTES.**

- Full Council 27 February 2014 – Service & Financial Planning 2014/15 – 2015/16
- Cabinet 8 January 2015 – Service & Financial Planning 2015/16 – 2017/18
- Cabinet 24 July 2014 - 2013/14 end of year performance analysis and strategic risk register.
- 12 December 2014 - Driving the Delivery of the Council's Priorities 6 month report.

## 11. OUR VISION AND FOCUS

Telford and Wrekin is going places; the Borough is on the up. The economy is growing and jobs are being created. New houses, factories, shops and restaurants are being built and the population is growing. People want to live in the Borough. People want to work in the Borough. People want to visit. There is a buzz about town and more and more on offer for our residents to enjoy.

Telford and Wrekin has a real and exciting offer; it has community facilities which are second to none. It is no longer a promise for the future, these things are being delivered now.

Getting to this point has been a long and challenging road from the original New Town plan for Telford. Even with the current successes, the Borough cannot afford to be complacent; it must move to thrive. Standing still is not an option.

There are still very real social and economic challenges in the Borough with 14 (of 108) neighbourhoods ranked within the 10% most deprived in England and 18.5% of children living in poverty. To ensure a cohesive community, all households and families must have the opportunity to benefit from our growing economy and play a positive role in the social and cultural fabric of our communities.

This vision sets out how as a co-operative Council, the organisation wants to take forward the Borough over the next 5 years. It is a vision which is centred on building a strong local identity, on building resilient and healthy communities by driving economic growth whilst protecting and enhancing our reputation as a “green town”.

Our starting point is the original plan for Telford new town. This identified three equally important elements to creating a cohesive place and community: Telford Town Centre, the market towns of Newport and Wellington and our district and local centres.

Telford town centre was designed to create a “town identity” and be much more than a shopping centre with leisure and civic amenities. More than 40 years after this original plan was formulated, the Southwater development has brought this missing dimension to the Town Centre with bars, cafes and restaurants, a hotel, bowling, bingo, ice rink and an IMAX cinema all in an attractive landscape creating a civic space. This coupled with events in and around the Town Park such as T-Party and drive in movies have created a new confidence in the town which residents are embracing. Some 15,000 people attended the opening ceremony of Southwater in October 2014.

Commencing in 2015, the next phase of Southwater will add new shops as well as new homes to the Town Centre for the first time. These developments, together with the planned £200m expansion of the shopping centre, will enhance our reputation as a “regional destination”. With its hotel

and restaurants, Southwater enhances The International Centre as a business and leisure destination and already this year we have been successful in attracting 7 new events on the back of the Southwater development. This all builds on the internationally renowned attractions of the Ironbridge Gorge UNESCO World Heritage site which are vital for our economy, with 3.6 million leisure trips bringing £160m of spend to the borough every year, supporting 5,000 jobs in the leisure industry.

The market towns of Wellington and Newport both have strong, distinct identities which need to be protected and nurtured. Over the next 5 years the Council will work with Wellington Town Council to implement their 2020 Vision to revitalise Wellington town centre. Newport is an attractive town which will grow by some 1,000 homes over the next 10 years which should help ensure its vitality and a sustainable high street.

Our district and local centres are an intrinsic part of community life in Telford; the focal point of these communities. These include Randlay, Hollinswood, Malinslee, Madeley, Oakengates, Hadley, Donnington, Sutton Hill, Brookside, Woodside, St. Georges and Dawley. Over the past 4 years, the Council has and continues to invest in the retail and community facilities in these centres to ensure their sustainability.

Across the different parts of our Borough, we have excellent leisure and community facilities. Our leisure “offer” includes The Place at Oakengates which is attracting top national acts such as John Bishop, Lee Evans, Jimmy Carr and Alan Carr. We have invested over £5m in our 6 Aspirations fitness suites in our leisure centres and a further £4m in the ice rink. We have 78 football pitches, 20 ball courts, 20 play areas, 5 local parks and 6 community centres. Telford and Wrekin’s leisure offer is extensive and provides quality provision for residents and visitors.

At the heart of our vision for cohesive communities is a strong local economy to provide jobs and prosperity for all. This is essential to raise the living standards in our most deprived communities.

To achieve this, we will continue our “Business Supporting, Business Winning” approach. This is about supporting existing businesses and leveraging new investment into the Borough by effectively marketing our offer as a competitive location for investment and by acting as an enabler to growth. For example, the introduction of a one-stop-shop for businesses and flexibility over rental or lease packages for commercial property and for business rates too.

A critical element of Telford’s offer is the 400 acres of “ready to go” commercial development land owned by the Government’s Homes & Communities Agency. This is now under the stewardship of the Council and already this has resulted in 35 acres of this land being sold leading to £16.5m investment into the Borough and the creation of 300 new jobs and safeguarding a further 360. Hortonwood, Halesfield and T54 are impressive

industrial estates and business parks attracting major national and international companies.

We will continue to lobby for our share of Government growth funding through the Marches Local Enterprise Partnership. To date we have secured £19m to deliver infrastructure improvements and we will seek more over the next 5 years.

In terms of ensuring the benefits of growth are seen across the Borough over the next 5 years, the Council is supporting connectivity by investing £4m to bring superfast broadband to 96% of the Borough with particular benefit to the rural area.

As well as large scale projects, the Council works to support local businesses and individuals in very practical ways:

- The Telford Loyalty Card is a discount card for use in local shops. To date some 260 businesses have signed-up as well as 68,000 residents. Our goal is to increase the number of businesses to 500.
- To date in 2014/15 we have assisted business in Telford & Wrekin to access £1.5m of external funding to support business expansion, creating 150 jobs in the process.
- Through our Job Box campaign we have reduced youth unemployment in the Borough by over 50% in the year October 2013 to September 2014 taking it below the regional average.
- A new small loans fund established by the Council for individuals as an alternative to pay-day loans.

Our green and open spaces are an intrinsic part of Telford's identity and make it a great place to live. The new town of Telford was conceived as a "Forest City" with the planting of some 800,000 semi-mature trees and the creation of the 450 acre Town Park. We need to balance the protection of this with delivering sustainable economic and housing growth. Growth is vital, but not at any cost.

Effective growth requires good planning. The Council's new planning framework "Shaping Places" will be introduced in 2015 as one of the greenest frameworks in the UK and will protect our "green town" reputation whilst supporting sustainable development.

This "green town" reputation needs physically nurturing as well as protecting. Our "Pride in Your Community" initiative is about working with communities to improve the infrastructure and appearance of our communities. The Council is investing over £9m to improve the physical appearance of neighbourhoods, and improve roads and pathways through this initiative.

It is our goal to dramatically reduce the amount of household waste which is buried in landfill – this is both expensive and wasteful. The new kerbside household recycling service introduced in April 2014 is central to this goal and has already seen a 13.8% increase in this rate to 51%. By 2019 we expect to

have one of the highest rates in the country. The new arrangements will save over £20m during the lifetime of the contract and have been designed around the needs of customers.

In terms of carbon-reduction, the Council is investing-in and creating a solar farm in Wheat Leasows. Telford & Wrekin Council is only the second local authority to do this. This will generate 4 megawatts of electricity enough to power 800 homes saving 2,300 tonnes of carbon annually and generate over £4m income over 25 years for the Council to protect front-line services.

Essential to a strong economy is a skilled workforce. In recent years there has been a real improvement in the educational attainment of our schools which is now overall comparable to the national position. Whilst this is a massive improvement from a decade ago, to be competitive in a global economy we need educational attainment to be better than the national position.

As well as raising standards, we will ensure that all pupils are able to fulfil their potential whatever their background. We will focus on closing the gap between pupils in receipt of free school meals, Pakistani children and children in care and their peers.

We are working with schools, colleges and employers to ensure that young people are ready for work by developing a skills passport focussing on soft skills that employers say are lacking in our young people.

One of the ways we are and will continue to raise standards is through £187m investment in the infrastructure of our schools. By the end of 2016, all secondary schools will have been either refurbished or rebuilt, with 7 complete new builds.

As well as improving the economic position of individuals, being in employment brings other important benefits including greater choices around housing and improved health and wellbeing. The Borough still has very real challenges around health inequalities – the gap in life expectancy between our most and least affluent communities is 9 years for women and 6 years for men. Levels of excess weight in children are too high, as are smoking rates and teenage pregnancies. It is our priority to reduce all of these.

Over the next 5 years, our focus will be on prevention by “nudging” individuals and families to make positive choices about their lifestyle around diet, alcohol, smoking and exercise.

As a growing town, we need to ensure that there are adequate health facilities available. The Princess Royal with A&E services is core to this.

A significant challenge for both the Council’s care and NHS health services is meeting the increasing demand of our ageing population. It is essential that these care and health services work better and more effectively together to meet this demand.

## 12. DELIVERING OUR PRIORITIES

Informed by our understanding of the challenges facing the Borough, the Council adopted a series of priorities in 2011 which have provided the focus for our services and partnership working:

- **Put our children and young people first**
- **Protect and create jobs as a ‘Business Supporting, Business Winning Council’**
- **Improve local people’s prospects through education and skills training**
- **Protect and support our vulnerable children and adults**
- **Ensure that neighbourhoods are safe, clean and well maintained**
- **Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing**
- **Improve the health and wellbeing of our communities and address health inequalities**

Since 2011, despite severe financial pressures caused by the unprecedented cuts to the grants we receive from Government we have driven these priorities forward. Examples of what has been achieved against our priorities include:

### **Put our children and young people first**

- Implemented Family Connect – a single, multi-agency front door for children, young people and families. This has meant that we have enhanced information sharing for safeguarding multi-agency child enquiries.
- Put in place locality based teams to deliver integrated children services to children, young people and their families.
- Developed a single, common case management system across children services.
- Implemented our “Strengthening Families” programme to support families with significant challenges and stop more intensive and expensive interventions.
- By working with partners across West Mercia we have reconfigured Youth Offending Service improving outcomes and reducing cost.
- Increased the number of volunteer led youth clubs.

## **Protect and create jobs as a 'Business Supporting, Business Winning Council'**

- Opened a “One Stop Shop” through our **Business & Planning First Point** offering a range of services tailored to suit individual business needs.
- Introduced a “Business Development Charter” with pledges to support timely decision making including:
  - Free and timely planning advice
  - Planning application validation in 3 working days
  - Increased officer delegation of planning decisions to speed up the process
  - Reduced number of pre commencement planning conditions
- Supported businesses to secure over £1.5m of funding and grants, unlocking projects worth a potential £4m and creating or safeguarding almost 400 jobs.
- Developed and launched the “**Invest in Telford**” campaign in Telford and Birmingham – promoting our key market sectors of automotive and advanced manufacturing with follow up promotion at key sector exhibitions in Telford, Birmingham and London.
- Provided direct support including funding advice to facilitate company expansions at major employers including Stadco, Heinz, Craemer, BAE Systems and Borgers creating over 150 new jobs.
- Launched our “**Deal for Business**”, offering a range of incentives to businesses looking to invest in the Borough.
- Increased confidence in Telford is demonstrated by the new direct rail link to London and the University development in Southwater.
- Secured £19m investment in infrastructure from the Marches Local Enterprise Partnership “growth deal” from Government.

## **Improve local people's prospects through education and skills training**

- Launched a series of pledges to tackle youth unemployment within the borough backed by a £1.3m funding package spread over two years. The rate of youth unemployment fell by over 50% during the year June 2013 to June 2014.
- Launched “**Job Box**” to bring together a range of initiatives aimed at tackling unemployment. Appointed 6 Job Box Mentors to work on a one to one basis with unemployed 19-24 year olds and to date have supported 75 into work.
- Introduced nine new Job Junctions into the Borough and seen footfall grow week on week with 105 people supported into work.
- Held a hugely successful “**Jobs Fair**” in March 2014 attended by 4,000 job seekers from which 69 people found employment.
- Educational attainment in the Borough has improved significantly over the past 16 years since responsibility for education services passed to the Council in 1998.
- Standards in our primary schools are now in line with national averages

- Secondary performance has seen improvement over the last four years, though this year's results reflect the reduction in the number of pupils achieving 5 A\*-C grades that has been experienced nationally due to changes in GCSE reporting.
- 86% of all our schools are judged as good or outstanding by OFSTED.
- Delivered high quality teaching establishments across the borough including; Madeley Academy, Woodlands Primary, Abraham Darby, Mount Gilbert, Phoenix Academy, Southall, Newport Girls High School, Adams Grammar, Ercall Wood Technology College. Extensions to Meadows, Teagues Bridge, Newdale.
- Further new build secondary schools are due to be completed in the next 18 months including Holy Trinity Academy, Telford Co-operative Academy, Lakeside Academy and Charlton.
- New primary schools are planned including Lawley "2" and Grange Park.

### **Protect and support our vulnerable children and adults**

- Implemented a robust partnership approach to protect children and young people at risk of sexual exploitation.
- Delivered more timely placement of children for adoption.
- Increased the number of foster carers from within the Borough to reduce agency and out of Borough placements.
- Ensured a sharp focus on supporting parents to care for children, especially teenagers, and returning children in care back home where it is deemed to be safe.
- Ensuring homeless 16-18 year olds are not placed in bed and breakfast accommodation.
- Development of "MyLife"- a web based resource to provide information and advice for residents needing social care support.
- Development and launch of the Personal Assistants Register to help residents access the right home support.
- Development and sign off of an Information & Advice Charter with the voluntary sector.
- Responded to the challenges presented by the Winterbourne View institutional abuse scandal by bringing externally placed vulnerable people back into area and introduced procedures to investigate institutional abuse cases. We are currently establishing a Telford & Wrekin Safeguarding Adults Board with an independent chair.
- Introduced "mobile working" for frontline staff to enable the timely and accurate processing of assessments.

### **Ensure that neighbourhoods are safe, clean and well maintained**

- Implemented our £9.6m "Pride in Community" initiative to work with local communities to improve their neighbourhoods.
- Recruited 152 volunteer snow wardens and 156 street champions.
- Secured funding for and implementing redesign of the Telford Town Centre Box Road due for completion in February 2015.

- Secured £11.6m funding for phase two of the Gorge stabilisation at Jackfield which is underway and will be completed in 2016.
- Completed the £3.4m Town Park regeneration through lottery “Parks for People” funding.
- Completed £4m regeneration of the Telford Ice Rink – “the town’s largest youth club”.
- Introduced a brand new recycling service across the Borough saving the authority £25m over the life of the contract and providing residents with an improved service.
- We have secured £16.2m of funding over 2015/16 and 2016/17 for further transport infrastructure work to future-proof our road network in line with our population and business growth expectations.

### **Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing**

- Invested in the regeneration of local and district centres including; Hollinswood, Madeley, Leegomery, Malinslee, Hadley and Brookside.
- Completed improvements to Oakengates Centre.
- Seen the completion of 720 new homes in 2012, 607 in 2013 and 842 to date in 2014 and on target to deliver 1,000.
- Launched a programme to tackle empty properties with a support package and loan facility in place.
- Secured £4.7m funding from the Green Deal Communities fund to deliver physical improvements to homes to reduce heating bills and fuel poverty.
- Launched a successful affordable warmth scheme, helping those most vulnerable with health related illnesses, to heat their home efficiently and to a degree that alleviates cold and damp related health problems.
- Established and launched a Landlord Accreditation Scheme to support and set minimum standards for private landlords within the Borough.
- Managed the closure of “Choose Your Home” and transition to a new in-house, “Telford Housing Options” website.
- Launched “Telford Home finders” a web based lettings agency for accredited landlords.
- Significantly reduced dependency on bed and breakfast for temporary housing accommodation.

### **Improve the health and wellbeing of our communities and address health inequalities**

- Invested in improved leisure facilities across the Borough to encourage the adoption of positive, healthy lifestyles, including refurbishment of Newport pool, Aspiration’s fitness suites in all leisure centres and the opening of Oakengates tennis centre, Pheonix and Abraham Darby leisure Centres.
- Successfully managed the transfer of Public Health from the NHS to the local authority.

- The smoking quitter rate has improved following the Council's re-procurement of stop smoking services, increasing from 55% quit during April-Sept 2013 to 61% during October 13– March 14.
- A record number of pregnant women quit smoking with the new specialist provider contract award, 98 women quit smoking during 2013/14 – high levels of successful quitting with 61% of pregnant women setting a date remaining quit at 4 weeks compared to a 47% national average.

### 13. SAVINGS ALREADY DELIVERED

These achievements have been delivered whilst the Council has faced truly unprecedented cuts to its grants from central Government which have forced us to make ongoing annual savings of £70m. 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 NHS. Savings delivered by year are detailed below:-

	<b>£m</b>
2009/10	4.156
2010/11	6.725
2011/12	11.659
2012/13	19.069
2013/14	11.306
2014/15	17.204 (including additional "in-year" savings)
<b>Total</b>	<b>70.119</b>

This is equal to a cut of over £950 in the cost of Council services for every household in Telford and Wrekin. 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. Savings delivered to date include:-

#### **Jobs**

- Reduced the number of jobs by over 1,200 since April 2010, saving over £22m pa following a major redesign and restructuring of the organisation. This has seen 537 vacancies deleted and 675 redundancies although through effective redeployment only 57 of these have been compulsory redundancies.
- Redeployed over 2,000 people within the organisation as a result of restructuring.
- Since 2009 staff pay has increased by 2.2% while inflation (RPI) has risen by 22.3% cutting staff pay in real terms by just over 20%.

#### **Senior managers**

- Reduced the size of the senior management team by more than 50%.
- Cut pay of our most senior manager by 30% in real terms.
- Cut the number of middle managers by 35%.

### **Back office costs**

- Cut back-office costs by around 45% since 2009, saving £8.5m a year. This scale of reduction is significantly greater than what most authorities have achieved through outsourcing or sharing services and has been achieved much more quickly as protracted negotiations with other councils have been avoided.

### **Buying better value services**

- Delivered £8.8m procurement savings over the past 6 years by renegotiating and re-tendering contracts for the provision of services.
- Delivered savings of more than £25m over the lifetime of the new waste collection and disposal contract.

### **Income through growth**

- As part of our business winning approach, we expect to generate an extra £5.5m income by 2017, through growth in business rates and council tax since the introduction of the new local government finance system in April 2013.
- We will receive £4.5m in 2015/16 from the New Homes Bonus paid by the Government to reward councils for increasing housing supply.

### **Shared Services, Trade Union Facilities Time, Cabinet Member Allowances**

The Council continually reviews 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 West Mercia Youth Offending Service established in partnership with Worcestershire, Hereford, Shropshire, health, police and probation. The service works closely with The Police and Crime Commissioner with genuine integrated working practices ensuring improved outcomes at a lower cost.
- Membership of West Mercia Energy, a joint energy procurement consortium consisting of 4 upper tier authorities.
- We have for some years delivered a number of specialist services through a joint arrangement with Shropshire Council. Telford hosts, 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.
- 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.

- Trade Unions have agreed a 20% reduction in facilities time payments for directly employed staff.
- Cabinet Members voluntarily reduced their special responsibility allowances by 10% at the start of the current Administration.

### **Council buildings**

- Disposed of 24 properties including the former Civic Offices building.
- Reduced the office space we use by a third, saving the Council £2m. pa.

## **14. CAPITAL RECEIPTS AND DEBT CHARGES**

The Council's programme of property rationalisation has not only reduced running costs but is also generating significant capital receipts enabling us to fund some investment from internal resources rather than from increased borrowing. Debt clearly has to be repaid and adds to pressure on the revenue budget so the generation of capital receipts from the sale of surplus assets helps protect essential front line services. This reduces the amount of cuts that would otherwise have to be made.

Debt repayments represent a long term fixed charge against the revenue budget which reduces the amount of funding available for the provision of front line services. Good capital investments that generate income, pays back debt and provides a surplus helps to reduce the impact on the revenue budget of the Government cuts. Invest-to-Save schemes such as the solar farm or the proposed Housing Investment Programme represent "good debt" as they earn a surplus which can be used to help protect front line services.

In Telford & Wrekin debt repayments in 2014/15 accounted for 7.5% of the net revenue budget (including payment to Shropshire Council in respect of pre-unitary authority debt). This compares to:-

Birmingham	22.46%
Shropshire	10.65%
Unitary Authority average	9.92%
Telford & Wrekin	7.5%

A Graph showing the percentage of the net revenue budget allocated to debt repayments in 2014/15 for all unitary authorities is included in Appendix 8. Our programme of asset sales totals £66.2m over the medium term. The planned profile of these receipts is shown below:

	£m
2014/15	1.710
2015/16	25.752
2016/17	31.368
2017/18 onwards	7.775

Total	66.605
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Generation of these receipts is a key assumption within the service and financial planning strategy. The Council has a detailed 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 continue to be subject to close monitoring although capital receipts are managed as an overall funding stream and not managed at individual scheme level. 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.

## 15. SECTION 106 AGREEMENTS

Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. s.106 agreements are often referred to as 'developer contributions'. The common uses of planning obligations are to secure affordable housing, to secure financial contributions to provide infrastructure (for example relating to necessary highways works to provide access to the development) and to help fund new educational facilities for the children of families that move in to newly built houses. Careful negotiations are undertaken with developers in reaching the s.106 agreement which are legally binding and clearly state what the funding can be used for.

Legally a s.106 can only be requested when it is:

1. necessary to make the development acceptable in planning terms
2. directly related to the development; and
3. fairly and reasonably related in scale and kind to the development.

Negotiations have to ensure that developments remain viable and the National Planning Policy Framework (NPPF) states where obligations are being sought or revised, local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.

The Council's Children and Young People Scrutiny Committee undertook a scrutiny review of Primary School Places which considered s.106 agreements relating to education during 2014 and it was agreed that details of these agreements would be included in the service and financial planning report. Details are therefore included in Appendix 12 for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> January 2015 showing income and expenditure on each

scheme. Details of these and all other s.106 agreements will be included in the final accounts report which is considered by Cabinet in June of each year to show the year-end balance and in-year movement relating to each current s.106 agreement.

## **16. MEDIUM-TERM FINANCIAL OUTLOOK**

### **16.1 Context**

The Government have now exercised five years of very tight control over public sector spending but have protected spending on education and the health service which together account for a large part of total public expenditure. Overseas aid is also protected with a commitment to spend at 0.7% of GDP. This means that spending on other parts of the public sector have faced disproportionate cuts with Local Government most severely affected. The National Audit Office have reported that the government was on course to reduce funding of local government by 37% between 2010/11 and 2015/16.

However the cuts to local government have not been uniformly distributed across the country but have been targeted at areas of greatest social need which have historically attracted more grant from government to reflect their greater levels of deprivation. This is highlighted in the heat map produced by Newcastle City Council and included at Appendix 1.

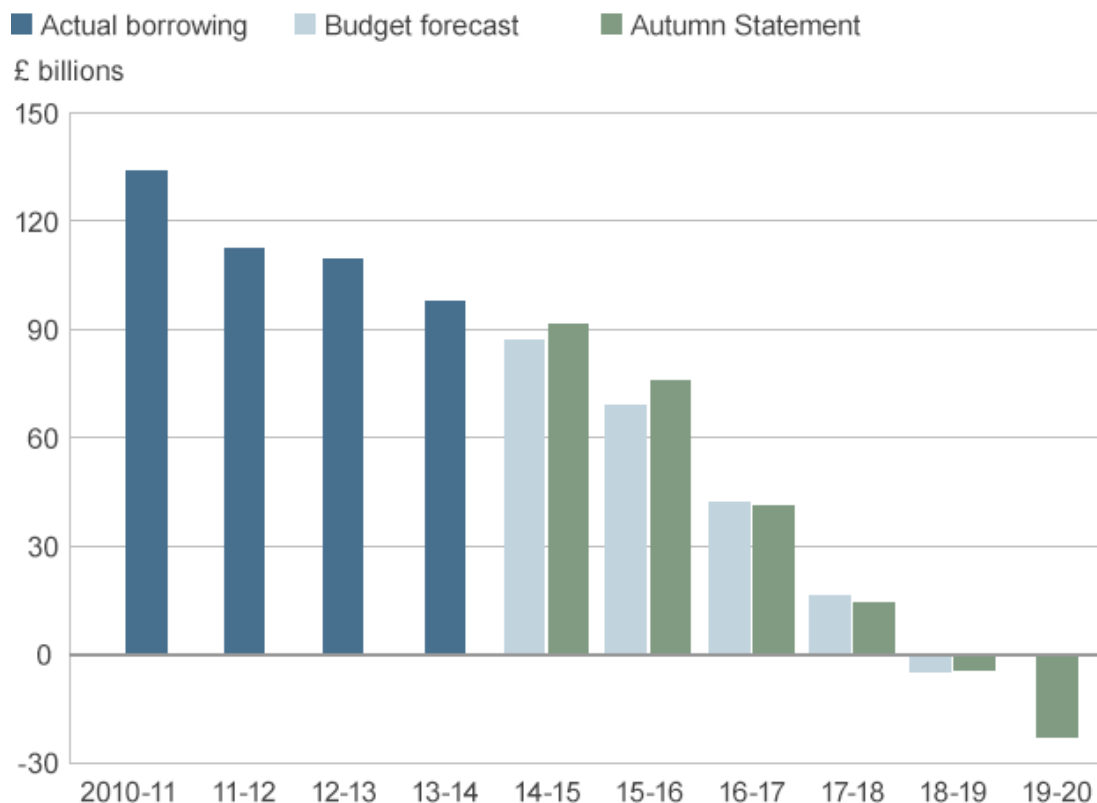
As the squeeze on public finances continues, cuts will become more difficult to find and the impact on front line services will become greater. More prosperous parts of the country are less affected by the cuts to grants but also tend to have a higher level of council tax base and growth which increases income from council tax, new homes bonus and business rates. Some concern is now being expressed at the ability of councils to continue to meet their statutory obligations. The National Audit Office recently reported that one in six councils are not expected to deliver services within budget this year – although as can be seen from the financial monitoring report also on the agenda, this council's effective financial management and control means that Telford & Wrekin Council is not amongst this group. The National Audit Office also reported that more than half of all councils are at risk of financial failure within the next five years with councils in two tier areas most at risk reporting that 52% of these authorities are not well placed to deliver their medium-term financial strategies. They also reported that many single tier councils feared for core services including education and social care. Margaret Hodge, chair of the Public Accounts Committee, which will scrutinise the auditors' findings, said "Worryingly, local authorities with the highest level of deprivation have seen the biggest cuts, potentially putting vulnerable people at risk. It is authorities with high cuts which have seen the biggest spending reductions for social care services."

## 16.2 Autumn Statement.

The Chancellor, George Osborne, delivered his Autumn Statement on 3<sup>rd</sup> December 2014. 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 and responds to the new economic and fiscal forecasts from the Office of Budgetary Responsibility as well as announcing the Government's measures to promote economic growth.

The Chancellor announced that tax receipts were significantly below target and that the deficit was not reducing in line with expectations set out in the March 2014 budget despite significant cuts to public spending. At the start of this Parliament, the Government had committed to eliminating the deficit by 2015/16 but this will not now occur until 2018/19. Borrowing this year is expected to be £91.3bn, falling to £75.9bn in 2015/16, £40.9bn in 2016/17 and £14.5bn in 2017/18 with a surplus of £4bn in 2018/19 and £23bn in 2019/20.

### Borrowing forecasts



Excludes Royal Mail pension transfer, Asset Purchase Facility and public sector banks.

Source: ONS and OBR  
(BBC website)

The Office for Budget Responsibility (OBR), in its report accompanying the Chancellor's statement, said public spending would fall from £5,650 per head

in 2009/10 to £3,880 in 2019/20. This represents a cut in real terms of around 57%. The BBC's Head of Statistics, Anthony Reuben, said that by 2019/20 public spending as a proportion of gross domestic product was projected to fall to its lowest level since the 1930s. The OBR chairman Robert Chote described the Chancellor's projections as a "very sharp squeeze", with some 60% of the reduction forecast to come in the next Parliament.

**Key Messages:-**

- The Chancellor confirmed that local services will not face additional cuts in 2015-16.
- By May 2015, Government funding for councils will be 40 per cent lower than in 2010.
- The Government has committed to giving local authorities and clinical commissioning groups (in collaboration with NHS England) indicative multi-year budgets as soon as possible after the next Spending Review. However, this is not a commitment to the "full and clear multi-year budgets to cover the period of the Parliament" sought by the LGA.

**On Business rates**, the Chancellor announced a number of measures which it is anticipated should be revenue neutral for local government including:

- That the business rate rise in 2015-16 will be capped at two per cent. Otherwise, it would have increased by 2.4 per cent in the line with the increase in the September 2014 Retail Prices Index.
- The temporary extension of small business rate relief which was due to expire on 31 March 2015 will once again be extended, this time until April 2016.
- The transitional arrangements for businesses with a rateable value of up to £50,000, due to expire in April 2015, will be extended until April 2017.
- The discount against business rates bills for retail premises such as pubs, cafes and restaurants with a rateable value of up to £50,000 will continue in 2015/16 and increase to £1,500.
- The rules will be changed so that alterations to rateable values can only be backdated to the period between 1 April 2010 and 1 April 2015 for Valuation Office Agency (VOA) alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015.
- There will be a review of the future structure of business rates to report by Budget 2016 with interim findings available December 2015. This will be fiscally neutral and consistent with the Government's agreed financing of local authorities.
- The Government will publish a discussion paper on the nature and scale of business rates avoidance in December 2014.

**Other announcements included-**

- An extra £2 billion will be spent on NHS frontline services in 2015-16.
- The allocation of £1 billion from the £12 billion Local Growth Fund for a second wave of Growth Deals announced in the previous spending round. LEPs will be allowed to bid for local projects as part of their plans for growth.

- Councils have a role to play in reducing the costs of “local licensing regimes”. By 2018 councils will be expected to offer a single online application process for local businesses to apply for licences, requiring them to register their details only once.
- Plans for how the £15 billion capital fund announced last June will be spent have been finalised and published as part of the Roads Investment Strategy.
- Funding for highways maintenance, totalling £5.8 billion over the next six years. However, the LGA said that this will do little to help councils to tackle the estimated £12 billion backlog of road repairs.
- The Government would remove employer National Insurance Contributions (NIC) for employers taking on apprentices under 25, with the aim of stimulating demand across employers and young people. However, the minimum wage for apprentices is currently just £2.62 an hour, or around £95 per week, much lower than the minimum threshold for paying NIC at £153 per week.
- The Government has published its six year programme of investment in flood defences, allocating the £2.3 billion capital funding provided at the 2013 Spending Round.
- The Government will bring forward proposals for compulsory purchase reforms for consultation at the Budget 2015.
- The Government will take steps to speed up Section 106 negotiations. This will include revised guidance, consulting on a faster process for reaching agreement, transparency on the use of funding and considering how timescales for agreement could be introduced.
- Measures will be taken forward to ensure that the principle of development only needs to be established once. The Government will work with local authorities and industry to test whether more can be done to support the approval of small sites.
- The Government will continue the ongoing constraint on public sector pay, which has seen salaries frozen for three years for local government since 2010 with a subsequent 1% rise. The chancellor stated that this measure helped save £12bn and further restraint ‘would deliver commensurate savings in the next Parliament’.

### **16.3 Local Government Grant Settlement**

Fundamental changes were made to the local government finance system from 2013/14 including the localisation of a share of business rates, the replacement of the national council tax benefit scheme with local council tax support schemes and the transfer of responsibility for public health services from the NHS to councils. The new local government finance system represented a huge transfer of risk from the Government to councils but also brought opportunities and incentives to encourage growth in local communities.

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 2015/16 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.

Despite persistent requests for an early settlement from across the local government community so that effective financial planning could be undertaken, the provisional settlement was not announced until 18th December 2014. This extremely late announcement makes planning and forward projections extremely difficult and compresses the time available for consultation. The final settlement was received on 3<sup>rd</sup> February 2015.

2015/16 is the third year in which local government funding is provided through the new Business Rates Retention (BRR) Scheme. The settlement covers one year only.

In summary, under the BRR Scheme, the Government determines the amount of funding an authority requires - the Settlement Funding Assessment (SFA). The SFA is split into 3 components, which for this council are:

	2015/16 SFA £m
Revenue Support Grant which is paid by the Government	31.444
Business Rates income which the Government considers the authority should be able to collect locally	33.046
A top-up grant paid by the Government as locally collected business rates are below a pre-determined baseline	2.116
<b>Total 2015/16 Settlement Funding Assessment</b>	<b>66.606</b>

Revenue Support Grant and the top-up grant are direct payments from the Government and are therefore fixed. The level of business rates included in the Council's budget depends on local factors including estimated growth and collection rates.

The Business Rates Retention Scheme includes provision of a safety net, which is paid to authorities whose retained business rates fall by more than 7.5% below the baseline amount. Reductions in retained Non-Domestic Rates before the Safety Net threshold of £32.524m is reached are a cost to the Council.

The Local Government Finance Settlement confirms that councils will continue to face significant spending cuts and financial challenges. The ministerial statement highlighted that local authorities will face an average reduction in spending power of 1.7% in 2015/16; and that no local authority

would experience a decrease of more than 6.4% to its “revenue spending power” – a very broad definition which encompasses an individual authority’s:

- Council Tax
- Start-up funding assessment (retained business rates, revenue support grant and top-up grant)
- Specific Grants
- NHS funding for social care
- New Homes Bonus
- Public Health Grant
- Better Care Fund

For Telford & Wrekin “spending power” has reduced by 2.5% for 2015/16. However, the inclusion of Council Tax income, Public Health Grant and Better Care Fund in “spending power” which are all shown as increasing, masks a higher underlying cut. Further, the whole of Better Care Fund has also been included as local government spending power whilst in reality a significant element of this is spent by the CCG.

**Revenue Support Grant (RSG) for this Council is £42.071m in 2014/15, but in the provisional settlement for 2015/16 was proposed to be cut by £10.904m which is a reduction of 25.92%. The final RSG settlement was not received until 3<sup>rd</sup> February 2015 with the final figure for 2015/16 being £31.444m a cut of £10.627m or 25.26%. The additional RSG will be held within the revenue contingency.**

The following points were also highlighted in the Minister’s statement:

- Local Authorities freezing Council Tax in 2015/16 will receive a Council Tax Freeze Grant equivalent to 1% increase in Council Tax.
- Local Authorities increasing Council Tax by 2% or above will be required to hold a local referendum. This applies to local authorities, fire and police authorities.
- The Council Tax Freeze Grant for 2014/15 is now included in baseline funding.
- Additional Revenue Support Grant has been provided for “*welfare needs and to improve social care provision*”
- The loss of funding as a result of the 2% cap on the 2015/16 Business Rates Multiplier (announced in the Autumn Statement) will be refunded to local authorities through Section 31 grant.

#### **16.4 Strategy approved in February 2014.**

The Service & Financial Planning Strategy report considered at Council on 27th February 2014 was a two year strategy and included details of savings proposals for 2014/15 and 2015/16 as well as a commitment to accept the Government's Council Tax Freeze grant in both these years further to the Government's change in approach to the treatment of freeze grants which put council tax freeze grants on to a financially sustainable basis.

The strategy agreed for the two years 2014/15 and 2015/16 at Council in February 2014 is summarised for context in the table below:-

<b>Projected Budget Gap</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>
Base Budget gap	11.428	22.263
Savings proposals (net of provision for "leakage" from general fund and savings needed to cover service pressures)	-14.133	-19.738
Saving from revised approach to calculation of Minimum Revenue Provision	-1.489	-1.232
Revenue investment over two years, in "Pride In Your Community" initiative *	1.608	
Revenue Investment over two years in Initiatives to tackle youth unemployment *	1.305	
Revenue investment increasing care Leavers Grant per scrutiny recommendation	0.030	0.030
Additional "Draw-down" budget for Safeguarding	1.200	
Destination Telford initiative	0.100	
<b>Projected net Budget shortfall</b>	<b>0.049</b>	<b>1.323</b>
Contribution from Provision to fund debt charges on the proposed "Pride In Your Community" initiative	-0.049	-0.245
<b>Restated shortfall before use of general balances or identification of further savings</b>	<b>0</b>	<b>1.078</b>

\* Planned early delivery of savings in 2014/15 enabled the two year investment to be funded in 2014/15, the funding required for 2015/16 will be transferred to a provision and drawn down during 2015/16.

## 16.5 Future projections.

It is very difficult to make accurate projections of the likely budget gap that the Council may face in the years beyond 2015/16 because following the General Election in May the new Government will undertake a Comprehensive Spending Review which is likely to report in the late summer. However, whilst this will be useful in clarifying overall spending priorities and control totals at a national level no information on the Council's likely financial position for the period starting April 2016 is likely to be available until the local government finance settlement is announced – probably just prior to Christmas 2015 – just over 3 months before the next financial year starts.

At this point we are assuming that the funding allocations for 2015/16 will not be reviewed following the general election although shortly after the last general election the Council received in-year grant reductions and such measures cannot be ruled out with any certainty although both the Conservative and Labour parties have “signed-up to” the national spending plans already agreed for 2015/16.

Clearly we cannot wait until we have firm details before we start to consider our medium term financial strategy and we now need to roll forward our budget model whilst accepting that there will be an even greater number of assumptions than usual and therefore the projections for later years are only intended as a broad indication at this stage for planning purposes. However, it is clear that all political parties will continue to reduce the national budget deficit which is not reducing as quickly as anticipated despite the spending cuts that the Government have made. The reason for this is that, although there is an upturn in the economy, tax receipts, particularly from income tax, are not as buoyant as expected. It is also clear that all parties are likely to continue to offer protection in real terms spending for the NHS and education and therefore local government is likely to continue to face a disproportionate share of the reductions in Government spending.

The pattern of cuts to local authorities across the country has been uneven with much greater cuts to areas of greatest need – specifically the North East and areas like Telford & Wrekin whereas a small number of areas in the South East have actually seen their funding from the Government increase at a time when Government support to local government as a whole has been savagely cut. This disproportionate allocation of cuts is clearly demonstrated in the “Heat Map” produced by Newcastle-Upon-Tyne City Council and included as Appendix 1 to this report.

The initial work on projections for 2016/17 and 2017/18 that has been undertaken and which will be refined as further information slowly becomes available is summarised in the table below including adjustments to reflect changes since the cabinet meeting on 8 January 2015:-

## Updated Budget Gap projections.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
8 January Cabinet Report Base Budget Gap	2,541	15,011	26,511
Revenue Costs relating to Capital Investments:			
Dawley Regeneration	3	12	14
Capital receipts re-phasing	78	228	140
Stalled Sites	25	94	109
Theatre Invest to Save	2	18	19
Housing Investment	-	67	209
Contingency funded from additional RSG	276	276	276
Funding Changes:			
Additional RSG and other Grants	- 384	- 392	- 392
Additional Retained Rates/S 31 Grant	- 1,185	- 1,185	- 1,185
Total of Changes Included	- 1,185	- 882	- 810
<b>Updated Base Gap</b>	<b>1,356</b>	<b>14,129</b>	<b>25,701</b>
8 January Cabinet Report - Updated Projected Cumulative Gap	833	10,708	22,208
Base Changes – above	- 1,185	- 882	- 810
Housing Investment Programme	- 126	- 161	- 478
Delete Saving - Music service, no 40	53	53	53
Reduce Saving - Arthog, no 1	33	33	33
Increased One-off funding for Adult Social Services	1,250		
<b>Updated Gap</b>	<b>858</b>	<b>9,751</b>	<b>21,006</b>

## 17. 2014/15 PROJECTED OUTTURN POSITION

As the Financial Monitoring report also on this agenda shows, excellent financial control is being exercised and good progress is being made in delivering the overall budget for 2014/15 although there are some

areas of significant pressure and the actual outturn will clearly be different as we are only part way through the year. The final outturn may be a better or worse position than that currently shown in the financial monitoring report and it is clearly essential that all budget holders continue to exercise tight financial control and to deliver all planned savings. However, the Council will have significant one-off funding available at year end from the early delivery of savings and sound financial management which can be used to support one-off investments in the medium term service and financial planning strategy. This one-off funding is currently projected to total around £5.7m at year end after having funded a contribution to the Capacity Fund of £0.75m which will help to support the delivery of savings in future years and allocating £0.26m of the further savings from the second phase of work on recalculating the Council's Minimum Revenue Provision to the Community Pride Fund.

## **18. SAVINGS PROPOSALS 2015/16 AND LATER YEARS**

Appendix 2 includes details of additional savings proposals for 2015/16 and later years. The appendix also includes details of changes that have been made to update savings proposals agreed at Council in February 2014. Some savings proposals have been deleted and replaced by alternatives.

Ongoing savings net of pressures and leakage total £4.217m in 2016/17 and later years but the cumulative budget gap will be considerably larger. Clearly whatever the outcome of the general election, the Council will face a significant budget shortfall from 2016/17 and using latest projections, further savings of at least £9.7m on top of those already identified are likely to be required in that year. The budget shortfall is likely to increase by around £11- £12m pa in 2017/18 and 2018/19 by which time the cumulative cuts that the Council will have had to make are likely to total well over £100m.

Further cuts on the current trajectory for a prolonged period will require further major organisational change and prioritisation. Clearly the easier cuts have already been made and further cuts are likely to have significant front-line service impacts. It is important that SMT and Cabinet Members start work on this longer term planning in order to identify options for the new Council following local elections in May 2015. Further details of the approach being adopted are set out in section 24 of this report.

## **19. PRESSURES**

It is with this medium term focus in mind that pressures and any developments need to be considered. The approach adopted in preparing this strategy has been to maximise ongoing savings as far as

possible whilst seeking to approve unavoidable pressures on a time-limited basis if possible and identifying alternative sources of one-off funding where possible e.g. use of the capacity fund.

Details of the pressures are included in Appendix 2C and, as for the current year, include one-off additional ring-fenced funding of £2.5m for Adult Social Services and £0.75m for Safeguarding. As part of the budget modelling work carried out for 2015/16 a number of pressures in these two specific areas have been recognised. These are:-

**Adult Social Services:-**

A Cost Improvement Plan is in place to address the achievement of the significant savings needed in this area as well as addressing any ongoing overspend. Whilst the work on this plan is being progressed the service will continue to experience financial pressures from a number of issues including high cost placements, a lack of supply in key market areas such as Elderly Mentally Ill (EMI) placements, the Deprivation of Liberty Safeguards (DoLS) changes, the costs arising from clients transitioning from Children's to Adults services with an eligible need and continued under-funding of continuing healthcare cases in the Telford & Wrekin area compared to most other parts of the country.

Since the 2010 spending review, local authorities have reduced spending on adult care by more than the Department of Health anticipated. The Audit Commission reported that from 2012/13 to 2013/14, planned reductions in spending on adult social care services make up 52 per cent of spending reductions, compared with only 14 per cent of the total reduction from 2010/11 to 2011/12. Locally, there was no reduction in overall spend on adult services through to the end of 2013/14. The Audit Commission noted that ... the aggregate savings from this service area make up an increasing proportion of total spending reductions. Whilst locally some savings have now been made from adult care budgets the Council has been careful to achieve this in ways that protect services to clients as far as possible e.g. by getting better value from suppliers. We have also invested some of the savings made back in to services for adults however as the Government continues its deficit reduction programme it inevitably becomes increasingly difficult for the Council to protect front-line priority services.

**Safeguarding:-**

A Cost Improvement Plan is also in place for this service to address areas of pressure including care placements and the use of agency staff. As part of the budget process, modelling of current placements and new turnover has been completed with operational staff. Plans are in place to help children remain at, or return, home where appropriate with alternative support options. For some children, however, this will not be possible and the service will have unavoidable costs to face whilst the improvement plan is progressed.

This service and financial planning strategy proposes one-off additional ring-fenced funding should be made available to recognise these pressures to allow for the cost improvement plans to be fully implemented. The figures proposed are one-off amounts in 2015/16 only of £2.5m for Adult Social Services, (the same amount as allowed in 2014/15 and an increase of £1.25m on the amount proposed at Cabinet in January to reflect comments received during the consultation period) and £750k for Safeguarding, a reduction of over 37% on the 2014/15 one-off additional ring-fenced funding for this area.

## **20. CHANGES AFFECTING ADULT SOCIAL SERVICES AND PUBLIC HEALTH**

### **20.1 Better Care Fund**

The Better Care Fund (BCF) plan for 2015/16 submitted by Telford & Wrekin Council and the CCG and approved, with support, in October contains funding of £12.068m. A Pooled Budget under a Section 75 legal agreement, which must be signed by both organisations, will fund a number of schemes planned to reduce non elective admissions to the hospital, reduce residential admissions and reduce delayed transfers of care. The plan is required to detail how and to what level of funding, adult social care will be protected. In 2015/16 the amount identified with the Telford & Wrekin plan is £7.334m, this includes £2.4m as recognition of the impact of changes in Continuing Health Care processes.

A revised plan, for final approval in January 2015, will need to demonstrate the consideration of risk in more detail describing the process for developing a risk sharing model between the Council and the CCG. The final risk sharing model will need to be approved by all parties as part of the finalisation of the Section 75 legal agreement.

Whilst all metrics included within the plan will be monitored, only the reduction in the non-elective admissions target will have any impact on funding to the Pooled Budget. All funding contributions must be paid into the Pooled Fund at the beginning of 2015/16 bar the local value of the national performance related payment. This is related to the required national minimum 3.5% reduction in non-elective admissions and the Telford & Wrekin value is £0.84m. This amount will be held back out of the Pooled Budget and only released as and when admission reductions are achieved. This is intended to mitigate some of the risk that hospital trusts face from the implementation of the BCF, as if the reduction is not achieved then this money will flow to the acute sector to fund admission activity.

The local BCF is predicated on a total value of £3m associated with avoided admissions, this includes the £0.84m, and failure to achieve this will result in dual funding requirements. Work is currently being

undertaken to identify risk probability, the value of risks identified and the basis on which risk and benefits within the plan will be shared.

The Government have indicated that some funding for the implementation of the Care Reform is contained within BCF allocations and it was a requirement of the plan to identify the value of this funding for this purpose – for Telford & Wrekin it is £0.409m revenue funding and £0.15m capital funding.

## **20.2 Care Reform.**

In 2015/16 the Care Reform Act (“Part 1”) will be implemented and Councils will have additional costs relating to assessment and eligibility; IT; Capacity; deferred payments; and information and advice.

The Government have recently carried out a consultation exercise to refine the indicative funding provisionally allocated to individual authorities for 2015/16 on the basis of additional responsibilities resulting from the implementation of the Act, in effect the “Part 1” responsibilities coming into force from April 2015. It had been estimated that Telford & Wrekin Council would receive an additional £1.478m of which £0.559m (revenue & capital funding) is within the Better Care Fund (BCF). The current BCF plan identifies this amount as a commitment against the pooled BCF budget. The remainder of the funding, £0.919m, was subject to the consultation exercise on the formulae for distribution. The consultation indicated a reduction in some elements of the grant, notably deferred payments and although the final results recognised a higher level of cost in carer’s services than the Government had initially anticipated, they felt that this could be contained within the overall funding envelope by adjusting indicative allocations for other aspects of the Act. Final allocations released in December for Telford & Wrekin are £738k, this figure has been reflected in the 2015/16 budget proposals in addition to the £0.409m revenue funding identified within the BCF. The Council received some one off monies to fund Care Act implementation of £0.125m in 2014/15 and current intelligence is suggesting further one off funding will be also be available in 2015/16 although the value is unknown.

Further consultations on funding formulae will commence by the end of the year, looking at the Relative Needs Formula and the allocations in respect of the cap on care costs and other elements of funding reform.

There are concerns that these allocations underestimate the costs of implementing Part 1 of the Act in 2015/16. In particular that:

- The Act raises expectations at a time when existing financial pressures mean there are insufficient resources to invest in prevention and early intervention principles that underpin the Act’s aim to reduce demand on more expensive, ongoing care

- Placing carers on the same legal footing as the service user significantly extends the number of carers with a right to an assessment in their own right and extends the number of carers who will be eligible for services. Whilst this is recognised in some additional funding there are concerns that this does not equate to the numbers of carers who could come forward and expect assessment and additional support

Some modelling work has been undertaken to predict the impact of Part 1 of the Care Act and compare the outcomes with the indicative maximum amount of new monies available. All Local Authorities have been asked to use the same modelling tools to calculate the assessments and carers' costs. We are currently estimating that the costs will be contained within the allocation of funding but we will only know the true position once we have worked under the Act for some time. Current modelling is based on unit costs but further work will need to be carried out internally to determine the actual costs that will need to be funded including the impact on staffing etc. It has been difficult to model the impact of a greater number of deferred payments being made available although we would plan to negate the impact of increased administration by recovering this cost through an administration fee and any cash flow implications through the application of an interest charge. It is clear, however, from early work that any increase is likely to leave the Council holding a significant amount of debt on its balance sheet. Using existing care home information and the government's own impact assessment data we can estimate an average length of deferred payment agreement to be 4 years with 36 new DPAs each year. Our current modelling indicates that by year 4 the Council would have at least £1m worth of debt to finance before any funding is realised to reduce it.

As yet there have been no specific announcements about funding for the Part 2 funding reform changes that are implemented from April 2016. Government indicated that they estimated the cost of these changes to be in the region of an additional £1 billion nationally. ADASS and the LGA have both indicated that they believe this figure is an underestimation, whilst no decisions have been made about the formula on which this sum of money will be distributed between local authorities which in many ways is just as important to us as the quantum.

In respect of Part 2 Funding Reforms we have commenced modelling work to understand how many existing self-funders will enter the system from April 2016 and qualify for local authority support given the raised capital thresholds and cap on care costs payable across an individual's life. The national collection of this data will not be until early 2015 and this will inform the national funding amount required for 2016/17. Joint ADASS, DoH and LGA advice for forward financial planning is that the costs of funding reform will be fully funded and that

local figures for these costs should not be included in budget projections at this time on this basis.

### **20.3 Independent Living Fund**

Due to changes within the adult care system, the Independent Living Fund (ILF) will be closing on 30 June 2015. From 1 July 2015, people currently supported by the ILF will be supported through local authority social care provision, with £262m funding transferred to local authorities in England and the devolved administrations elsewhere; there will be no ring-fencing of this funding. Latest information indicates that a 5% reduction will be applied to the current funding levels to allow for those clients leaving ILF. Telford & Wrekin currently have 68 people in receipt of ILF at a total cost of £1.055m. The impact of this transfer and likely costs have been reflected in the 2015/16 service and financial planning strategy, we have no indication of funding, if any, beyond next year.

### **20.4 Deprivation of Liberty Safeguards**

The Deprivation of Liberty Safeguards (DoLS) were introduced in April 2009. These are essentially a way to keep someone in a hospital or in a care home when the person needs to receive care and treatment but they are unable to make this decision themselves. The safeguards apply to everyone aged 18 or over who has a mental disorder and certain other conditions are satisfied. It is a statutory function of the Council to carry out the appropriate assessments. As a result of a recent Supreme Court judgement the number of people who should be receiving a Deprivation of Liberty Safeguards assessment if they are being deprived of their liberty within a residential or hospital setting has risen dramatically, the judgement also extended this process to other care settings.

In order to meet the demand of these changes all Local Authorities are facing significant financial implications, from data collected by ADASS in a survey of its 152 members, a shortfall of around £48m has been identified nationally to carry out all the assessments now required. ADASS have also lobbied Government to change the legislation to ease the burdens on Councils and/or provide additional funding. Recent briefings have indicated that all Councils will receive additional funding in 2015/16, although no value has been indicated, whilst a review of current legislation is being undertaken.

### **20.5 Transfer of Public Health Commissioning For 0-5 year olds from the NHS**

Public health commissioning responsibilities for 0-5 year olds will transfer from NHS England to local authorities on the 1<sup>st</sup> October 2015. The transfer encompasses the 0-5 Healthy Child Programme which

includes health visiting services and Family Nurse Partnership services; a targeted service for teenage mothers.

The transfer marks the final part of the overall public health transfer, which saw public health responsibilities successfully transfer to local authorities in April 2013.

Indicative allocations for 2015/16 (for period 1<sup>st</sup> October to 31<sup>st</sup> March 2016) for Telford & Wrekin are £1.262m. Whilst these have been published there is a facility to agree locally any further changes needed to 2015/16 funding transfers which if appropriate will result in changes to funding actually received in 2015/16 but will not be reflected until 2016/17 within any published allocations. Following discussions with the NHS Local Area Team about a need to increase the published allocation, the Council has made a formal request to the Department of Health in line with the agreed process and is awaiting a response. The Council have made it clear that the functions identified for transfer cannot be funded within the published allocation.

From 2016/17 the allocations are expected to move towards a distribution based on population needs and the public health grant allocation formula will need to be revised from 2016/17 onwards to take account of the transfer of 0-5 responsibilities.

#### **20.6 Section 256 and Section 75 Agreements under the NHS Act 2006**

Members will be aware of the changes introduced from 1st April 2013 to NHS structures including the replacement of PCT's by CCG's and the transfer to the Council of some Public Health functions. To enable the council to carry out its functions with an increasing emphasis on integration with health commissioners and providers, it will be necessary for the council to enter into appropriate agreements under the above Act with various NHS bodies. These agreements, most usually Section 256 or Section 75 agreements are for large sums of money and enable the parties to meet their statutory obligations. Delegated authority was therefore approved at Cabinet on 8 January 2015 for the Assistant Director: Family, Cohesion & Commissioning, after consultation with the Cabinet Member: Adult Social Care, to enter into all appropriate Section 256 and Section 75 agreements as required by the Council with various NHS bodies as long as they are within the budget and policy framework and for the Assistant Director: Law, Democracy and People Services to execute all necessary associated contract documentation.

### **21. OVERALL PROJECTED BUDGET SHORTFALLS**

Bringing the provisionally updated projections of the budget gap and the additional savings now identified in Appendix 2 and the pressures included in Appendix 2c together, the projected remaining shortfall for the next three years is summarised below:-

	2015/16 £m	2016/17 £m	2017/18 £m
Remaining shortfall to be covered from underspend in current year on one-off basis	0.858	N/A	N/A
Projected remaining shortfall to be covered from further savings to be identified – see Section 24 of this report.	N/A	9.751	21.006

The position for 2015/16 assumes all planned and proposed savings are delivered and assumes that additional burdens e.g. arising from the Care Act and transfer of the Independent Living Fund are fully funded by the Government. The remaining budget shortfalls outlined above assume no council tax increase or benefit from any further council tax freeze grants that may be offered by future Governments. Nor do the projections currently take in to account any benefits that may be generated from the possible MoD scheme although they do include current projections for the Housing Investment Programme.

## 22. INVESTING TO SUPPORT OUR PRIORITIES

By exercising strong and effective financial control throughout recent years and by continually challenging what we do, we are able to respond to new and emerging pressures in both the community and in Council services as demands shift and change. Through this, we have identified a number of areas where additional investment is required to deliver our goals. For 2015/16 and beyond our investments against our priorities are:

### **Protect and support our vulnerable children and adults**

Safeguarding vulnerable children and adults is our top organisational priority. We continue to ensure that services have the financial resources to do this:-

- Children’s Safeguarding £0.75m one-off additional ring-fenced funding to ensure that the resources are available to protect and support vulnerable children.
- Adult Social Care £2.5m one-off additional ring-fenced funding to ensure that the resources are available to protect and support vulnerable adults.

### **Protect and create jobs as a ‘Business Supporting, Business Winning Council’**

- A key part of our strategy to deliver growth and attract investment into the Borough to create jobs and prosperity is our “Destination Telford” initiative. The aim of “Destination Telford” is to promote the Borough as a top place to live, work, invest, visit and enjoy by improving the positive impression that the town gives to visitors,

businesses and potential investors by helping them to understand what the borough has to offer. To support this we are investing £0.25m over a three year period to support the delivery of a “Destination Telford” programme of events and initiatives which will raise Telford’s profile.

- Our local and district centres are a critical part of community life and our neighbourhood economies. To support the invigoration and promotion of our high streets and local centres we are creating a £1.0m fund, part of which will be made available for local organisations, communities and businesses to bid into to undertake activity which will support this objective by increasing their appeal, attractiveness and ultimately footfall.
- Just under £4m in extending access to superfast broadband in the Borough.

### **Ensure that neighbourhoods are safe, clean and well maintained**

- Maintaining and improving our highway transport infrastructure is critical to supporting economic growth and it is a priority for many local residents. To this end, a £2m (capital) investment into highway improvements will be made each year for the next 3 years – improving roads, footpaths and street-lighting. This investment is over and above any Government funding for roads.
- Building on the success of our Community Pride Fund in 2014/15, a £1.0m (capital) Community Pride Fund for 2017/18 will be created which local organisations, communities and businesses can bid for.
- Responding to resident priorities we will establish a two year Borough wide Environmental Investment programme totalling £0.75m. This will supplement the work of the Pride in Your Community programme and is proposed to help address the key issues that regularly arise within resident complaints, enquiries and pride consultations. The investment programme as well as continuing the investment into Parish Environmental Teams and Environmental Response teams in 2016/17 would also cover; increased early season grass cutting, additional spring and late summer hedge cutting, and tree maintenance on public land plus support for residents to help deal with problem trees.
- A second year of funding for our “Pride in Your Community” fund to improve the physical environment in our neighbourhoods. This includes £2.9m capital and £0.75m revenue.

### **Improve the health and wellbeing of our communities and address health inequalities**

- Supporting people to stay healthy as they age is a critical part of our “prevention agenda” by helping people to stay independent and avoid social isolation. To support this, free swimming for over 50s for 4 years will be funded at a cost of around £0.2m. This complements our free swimming offer for under 16s.

### **Regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing**

- Continuing to support the regeneration of our local centres by providing £0.65m (capital) investment into St Georges and £0.4m in to Dawley.
- Food bank confirmed funding for another year of £0.03m
- Initiatives for crisis support and cheap loans to enable local people to avoid pay day lenders totalling £0.24m

**Improve local people’s prospects through education and skills training**

- We will continue and complete our medium term £187m investment to improve school infrastructure
- The second year of investment in our youth unemployment initiatives totalling £0.65m.

**Other investments**

We are investing £1.0m (capital) in ICT to help support the delivery of services to customers in a customer friendly and cost effective way for the next three years. We are also investing £0.7m (capital) in maintenance of the Councils’ buildings each year for the next three years.

**23. SUMMARY 2015/16 SERVICE & FINANCIAL STRATEGY**

The Service & Financial Planning Strategy for 2015/16 can be summarised as follows:-

<b>Projected Budget Gap</b>	<b>2015/16 £m</b>
Base Budget gap as reported to Cabinet 8 January 2015 – including:- <ul style="list-style-type: none"> <li>• Second year of “Pride in Your Community” initiative = £0.750m</li> <li>• Second year of investment initiative to tackle youth unemployment = £0.650m</li> <li>• Continuation of food bank funding in 2015/16 = £0.033m</li> <li>• Crisis support initiatives including cheap loans for local people to avoid pay day lenders = £0.24m</li> <li>• Less contribution from provision to fund debt charges on the “Pride in Your Community” initiative agreed in 2014/15 - £0.245m</li> </ul>	+2.541
Changes to base budget position since 8 January:- <ul style="list-style-type: none"> <li>• Revenue costs of capital programme (£0.108m)</li> <li>• Additional projected business rates income (-£1.185m)</li> </ul>	-1.185

<ul style="list-style-type: none"> <li>Other including updated estimates of grant income (-£0.108m)</li> </ul>	
Savings proposals (net of provision for “leakage” from General Fund and cancelling proposed changes to remissions policy for Arthog and Music Service)	-5.377
Revenue benefit from Housing Investment Programme	-0.126
Pressures – For details please see Appendix 2c but including:- <ul style="list-style-type: none"> <li>one-off additional ring-fenced funding of £0.75m for safeguarding</li> <li>one-off additional ring-fenced funding of £2.5m for adult social services</li> <li>Destination Telford Initiatives - £0.250m to be spent over a 3 year period</li> </ul>	+5.005
Investments funded from the 2014/15 projected underspend <ul style="list-style-type: none"> <li>Free swimming for over 50’s for a 4 year period starting 2015/16 = £0.2m</li> <li>Invigoration and promotion of High Streets and Local Centres =£1m</li> <li>Two year Borough wide environmental investment programme = £0.75m</li> </ul>	
<b>Projected net Budget shortfall</b>	<b>+0.858</b>
Remaining balance to be funded from projected 2014/15 underspend	-0.858
<b>Restated shortfall</b>	<b>Nil</b>

Please note that:-

- Debt charges on the recommended capital investments outlined in the capital programme report also on this agenda have been included in this service and financial planning strategy.
- The Council will freeze council tax in 2015/16 and also 2016/17.
- After allowing for the proposed commitments above, the current projection for remaining one-off funding to be available at year end is £2.9m. Clearly, the final figure may be greater or lower than this but any remaining underspend available at year end will be transferred to the severance fund or capacity fund to support the delivery of further savings.

#### 24. **MOVING FORWARD: OUR MEDIUM-TERM 2016/17 TO 2017/18 SERVICE & FINANCIAL PLANNING STRATEGY**

Our Service and Financial Planning Strategy is underpinned and informed by our Co-operative Council ethos:

- Central to this are our values of Ownership, Openness & Honesty, Involvement and Fairness & Respect which are at the heart of all that we say and do as an organisation.
- As the Council has neither the resources or a monopoly on solutions to address the challenges facing the Borough we need to work in new and better partnerships. Residents are essential to this as active participants in service design and delivery not just as passive recipients.
- “Shaping Places” – acting as guardians and champions of the borough as well as driving delivery and change
- Ensuring a stronger focus on social value and social responsibility.

**Based on this ethos we have adopted 4 core elements for our medium-term service and financial strategy to take the organisation forward and deliver the budget savings which are currently projected to be required over the medium term.**

#### **24.1 Reviewing and reorganising**

We continue to evaluate the organisation to understand what is working effectively and efficiently and what needs to be changed. Through this we are able to create and seize opportunities. Examples of what we have done and will continue to deliver include:

- Designed and implemented the “One Council, One Team, One Vision” strategy. This changed the ethos and focus of the organisation by addressing head-on silo working and sharpening corporate ownership of pressures facing the organisation. This has enabled us to adopt a “Whole Council” approach to key challenges including driving growth, protecting and supporting vulnerable adults
- Evaluated and redefined every job in the organisation in line with our priorities and Service & Financial Planning Strategy
- Removing duplication, particularly in support services, and exposing where services need to better join-up to improve outcomes for users and drive efficiency.
- Examining shared services where there is a “good fit”:
  - Telford & Wrekin NHS Clinical Commissioning Group through the “Better Care Fund” programme to improve how adults move between the NHS and the Council’s social care services.
  - Town and Parish Councils through Parish Environmental Teams working to improve local neighbourhoods.
  - A Youth Offending Service for the whole West Mercia area
  - West Mercia wide Adoption Service.
  - Utilising regional and national procurement frameworks to secure the best rates.

#### **24.2 Challenging and Changing**

- Driving forward our **Co-operative Council projects and programme.**

- **Procurement and commissioning** - it is not enough to be led by what the market will provide. We work to influence and shape the market to ensure that tax payers receive maximum value for money. We will improve further our robust contract management to ensure providers and suppliers meet their contractual obligations, review existing contracts to ensure they are fit for purpose and achieving value for money, widely advertise all contract requirements over £5k to achieve optimum market prices, make greater use of framework agreements and get added social value from procurement.
- **Redesigning services and businesses process reengineering** to ensure that they are delivered in the most efficient and effective manner.
- **Redesigning and managing our front-door** to enable users to get the right service at the right time. Examples include “First Point for Business”, “Family Connect” and “Access and Enablement”. A new Council website was launched in December 2014 as part of this front-door redesign.
- **Challenging Policies** – E.g. for calculation of Minimum Revenue Provision (changing debt repayment from equal instalments of principal to an annuity basis with a benefit of **£13m benefit over 6 years**).
- Using “**business analytics**” to understand how our customers use and interact with services and inform service redesign.
- **Reducing non-staffing costs** – as all budgets have been reviewed ‘line by line’ in previous years, there is now limited scope to deliver savings from non-staffing budgets. However, we are continuing to look for these saving options wherever possible.
- **Working with the private sector** – including the Federation of Small Businesses, the management of the Telford Town Centre shopping centre and the Telford Business Board to drive economic growth in order to generate jobs and increased prosperity for the residents of the Borough and to generate additional income for the Council from business rates and New Homes Bonus and council tax on new homes built in the Borough.

### 24.3 Reducing our Dependency on Government Grants

- Adopted a “**Commercial Strategy**” to exploit opportunities to create income for the Council. Each service of the Council has been given an explicit income target designed to drive innovation and creativity. Developments which achieve regeneration and other objectives but which also have a commercial benefit include:
  - a property investment portfolio delivering £5.1m income per annum.
  - A solar farm providing £4.4m profit over the next 25 years.
  - Potentially a new housing company which will provide 425 new homes for private and social rent.
- Our “**Business Supporting, Business Winning**” approach will secure growth resulting in additional business rates for the Council.

This is underpinned by stewardship of 400 acres of Homes & Communities Agency commercial land.

- **“Delivering Growth Through Good Planning”** – this is a whole Council approach by which all services work to support and enable business investment in the Borough. Through this approach we have been ranked by the 2014 Core Cities Report in the top 3 local authorities for job growth and housing growth. Through this the Council will see new Council Tax and Business Rate receipts, as well as receiving the Governments’ New Homes Bonus for new homes – until any reset of the local government finance system.
- **“Invest to Save”** – using a business-case approach to innovative projects which will deliver savings or new income. For example, the development of the Aspirations Fitness Suite at Newport Leisure Centre to increase revenue to the service and improve health outcomes in the borough.
- **“Maximising “External Funding”** including £18.79m through the Marches Local Enterprise Partnership Local Growth Fund and £4.75m from the Green Deal.

#### **24.4 Focussing on “Upstream Solutions and Social Responsibility & Action”**

- **“Demand Management”** to ensure that resources are targeted at those residents most in need of help. This is about understanding why people use our services and keeping them out of high cost systems.
- **“Channel Shift”** by providing services and information in the most efficient way. For example, providing clear and robust information on the Council’s website will mean that residents can “self-serve” and not need to contact the Council in other less efficient, more expensive ways such as by telephone. Other examples include the use of smart phone “apps” such as our Everyday Telford App which allows people to report neighbourhood issues directly to the Council.
- **“Social Action”** through, for example, the promotion of volunteering. We are currently developing our approach around carers, supporting children centres, youth clubs, leisure centres and libraries.
- Promoting **“Social Responsibility”** amongst our residents and communities. Including, encouraging residents to recycle more as this has a positive impact on the environment as well as reducing costs to the Council, promotion of the “Five Ways to Well-being” which improves health and reduces costs, or encouraging people to become foster carers or simply to be a good neighbour and keep an eye on elderly neighbours. Residents have responded positively to our initial schemes including the recruitment of 156 street champions and 152 snow wardens.

#### **24.5 Lobbying for a fair deal** – We will take every effort to fight for a fair deal for Telford & Wrekin. Councils are losing income from some

businesses that abuse business rates exemptions – we will lobby Government for changes in the law to end this abuse and have agreed an invest to save project to fight fraud including that relating to council tax discounts and business rates. We will also take every opportunity to seek external funding where this will displace existing council spend or helps to deliver council objectives with limited, if any, requirement for matched funding.

Over coming months these themes will be used to help develop specific savings targets that will be set for each service area and the new Administration to be elected in May 2015 will be supported by officers to identify specific savings proposals to meet the required targets. Any delay in achieving targets would be a one-off cost that would have to be met from additional in-year savings or from one-off resources which are limited. Therefore senior officers will start to develop detailed savings proposals working with current Cabinet Members although it will be the new Administration that will need to agree the details and drive delivery against the targets.

## **25. COUNCIL TAX**

Council Tax in Telford & Wrekin has historically been low compared to other councils. Appendix 6 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 (£1147.49) and is only 2% higher than Dudley which is lowest (£1125.36). Appendix 7 compares our council tax to the other unitary authorities in England and shows that we have the 9<sup>th</sup> 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 (£1252.69 at Band D) in the current year, we would have generated an additional £4.7m 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. Whilst this is relatively good news for local residents in terms of their council tax bill and although we appreciate that council tax bills are still a 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. In the calculations used to establish the new local government finance system which came in to effect from 1<sup>st</sup>

April 2013, £1.6m pa of this loss was perpetuated in the new baseline funding settlement for the Council and will be withheld from us 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 £1.2m pa. in recent years.

The combined impact of:

	£m
A comparatively low level of council tax	4.7
Grant damping figure for 213/14	1.6
The population undercount	<u>1.2</u>
	7.5

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

The Government offer a council tax freeze grant which is equal to a council tax increase of 1% on the council tax base prior to reductions for local council tax support. For this council, this means that the grant is equivalent to a council tax increase of 1.19%. Before 2014/15 the council tax freeze grants were only offered on a strictly time limited basis and as such were not financially sustainable. Given the change in approach by the Government, in February 2014, the Council decided that it would accept the freeze grant that was offered for both 2014/15 and 2015/16 in order to assist local people who are suffering pressure from cost of living increases and the impact of the Government's welfare reforms.

**The council now wish to go one step further and to give a firm commitment that we will also freeze council tax in 2016/17 meaning that Telford & Wrekin Council's share of the council tax will not have increased for three years in further recognition of the pressure faced by local people by the Governments welfare reforms and cost of living increases.**

This proposal is affordable due to the very effective financial management exercised by the Council in recent years and the demonstrable track record of consistently delivering very challenging savings targets necessitated by the Government's unprecedented cuts to our grants

## 26. BASE BUDGET, BALANCES AND CONTINGENCIES

## **26.1 Base Budget**

A summary of the Base Budget position is included at Appendix 9(A) which shows a net base budget of £129.907m for 2015/16 giving a base budget funding gap of £1.356m. Appendix 9(B) analyses the main changes in moving from the 2014/15 budget to the 2015/16 base budget.

## **26.2 Balances**

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 £4.29m available as part of medium term budget strategy considerations. However, this figure excludes the currently projected underspend in the current financial year as this position will change before the end of the year and a significant part of this underspend is now being committed as part of this Service and Financial Planning Strategy. However, around £2.9m of one-off resources are projected to still be available at the end of this year after funding the package of revenue investments and the remaining budget shortfall of £0.858m for next year.

Current available balances within the “Capacity Fund” of £0.7m and “Invest to Save Fund” of £0.3m are shown as committed as these are likely to be committed during the period of this medium term financial strategy.

## **26.3 Risk Management**

As an organisation which provides a vast range of different services to the community and with a total gross revenue and capital budget for 2015/16 of over £500m, the management of risks is an important consideration in the budget setting process. The Council has a strategic risk register which is used to identify the substantive issues which may impact negatively on the delivery of the Council’s priorities and may also have a financial impact. This is regularly reviewed by Senior Management Team and Service Areas to manage risks and mitigate potential exposures both as part of everyday business and as part of the decision making processes. The budget for 2015/16 also includes a number of risk-mitigating elements:

- Despite the financial challenges being faced, the Council has a clear goal to attract new jobs and investment and promote growth in the borough and is committed to an investment programme which will safeguard the prosperity of the borough – growth will result in additional council tax, new homes bonus and business rates pending any reset of the local government finance system or major changes to the system.
- A key focus of the budget is on income generation, thus reducing the Council’s reliance on Government Grant in the future.
- Although very challenging, many savings have been phased over a number of years to allow adequate time for full consideration, consultation and implementation.

- Contingencies have been built into the budget: a general contingency of £2.5m; and additional one-off ring-fenced funding for the two highest risk areas: Safeguarding, £0.750m; Adult Social Services, £2.5m.
- A robust monitoring regime is in place to identify any adverse variances early so that corrective action can take place. Additional in year savings targets have been delivered in recent years to meet service pressures.
- The projected financial position for 2014/15 currently shows an underspend which will be available to support the 2015/16 budget strategy and the delivery of future savings.
- The Council has £4.2m available General Fund balances as a safeguard against unforeseen costs. An annual review of reserves and balances has been undertaken to ensure that the level of reserves is appropriate for their purpose and to release any funds no longer required so that these can be used for service delivery. In extreme emergency circumstances, general balances and some other funds that have been set-aside for specific purposes could be used and then replaced as part of a future strategy.
- Capital programme resources are available, in accordance with the Prudential Code of Borrowing and capacity may exist to capitalise expenditure planned to be funded from revenue in extreme circumstances.
- Invest to Save and Capacity Funds are in place to provide additional resources for priority areas and to assist with the delivery of savings.
- There is an effective Treasury Management Strategy which aims to maximise returns for the Council while minimising risks which a solid track record of exceeding income targets set.
- The appropriate insurance arrangements are in place to safeguard the council's assets and protect against liabilities.
- Financial advice and support is provided by professional and experienced in-house finance staff, drawing on external knowledge for specific projects where appropriate.
- All reports considered by SMT and Cabinet are required to include financial and legal comments prepared by suitably qualified officers to ensure that financial and legal implications are clearly understood before decisions are taken.

#### **26.4 Inflation Assumptions and Contingencies**

The base budget includes an allowance for pay awards of 1.5% for 2016/17 and 2% for 2017/18. If actual pay awards are lower than this the saving will be used to reduce the projected budget shortfalls in these years, however after 5 years of considerable pay restraint which have seen the pay of council employees cut in real terms by just over 20% it is not considered prudent to continue planning on pay awards at levels seen in recent years. In

accordance with practice in recent years, no allowance has been built in for general inflation, although some provision for contractually committed inflation has been made.

The base budget for 2015/16 includes a revenue contingency of £2.776m (including £0.276m additional RSG received in the final settlement announcement). We have also budgeted for additional one-off ring-fenced funding for Safeguarding in 2015/16 of £0.75m and of £2.5m for Adult Social Services.

## **26.5 Single Status**

The Council is planning to implement an equal pay settlement in late 2015/16 or early 2016/17. An allowance for additional costs arising from the settlement, and any decision to move towards adopting the living wage, of £1.0m has been built in to the budget for 2015/16 (part year) and £1.5m from 2016/17 onwards. This is after allowing for existing commitments against the funding previously earmarked e.g. to meet the costs of moving away from fixed point grades and some additional payments for social workers to reflect market rates. It is in the context of introducing a Telford scheme that will have a lower on-going cost than previously assumed.

## **27. PAY POLICY**

The Council's Pay Policy for 2015/16 was considered at Personnel Committee on 22 January 2015. The Localism Act 2011 requires local authorities to produce an annual Pay Policy Statement. The Act requires the statement to detail the Council's policies in respect of remuneration at various tiers within the Council. The Act does not apply to local authority schools.

The purpose of these provisions is to provide transparency with regard to the Council's approach to setting the pay of its employees by determining:

- The methods by which pay is determined.
- The detail and level of remuneration of its most senior staff
- The Committees responsible for ensuring consistent application of the provisions set out in the Statement.

The Council's Pay Policy Statement details

- pay negotiation bodies,
- initial allocation of pay points.
- lowest paid employees and the ratio comparison with the highest paid officers.
- Senior management remuneration.
- the recruitment of chief officers
- additions to chief officers pay
- termination payments

- where accountability and responsibility lies.

The Pay Policy for 2015/16 is included as Appendix 5 of this report.

## 28. CORPORATE DEBT RECOVERY POLICY

In operating a debt recovery function, the Council needs to operate in a way that protects the council's financial interests but also reduces the impact on vulnerable debtors. In order to achieve this, a Corporate Debt Recovery Policy has been written. This provides a framework for Officers to work within and formalises current working practices in debt recovery. The Policy covers the collection of Council Tax and Non Domestic Rates which are largely laid out in statute and follow well established best practice The Debt Recovery Policy does not propose to make any major adjustments to debt recovery.

The aim of the Corporate Debt Recovery Policy is:

- To maximise income collection and minimise debt owed to the Council to support the delivery of key Council services for the citizens of the Borough.
- To maintain a fair and consistent approach to debt recovery whilst recognising and responding to individual circumstances, where the Council is made aware of these.
- To give consideration to the circumstances of vulnerable individuals and where appropriate, signpost individuals to relevant services within the Council or approved partner organisations.

The Policy outlines the Council's procedures for each debt stream, as well as refreshing a revised write off policy and the introduction of procedures for dealing with debts where the Council may want to take bankruptcy / insolvency action.

## 29. EDUCATION FUNDING

Since April 2013 Education Funding has been paid to Local Authorities via three blocks of funding with differing per pupil amounts being applied to different sectors of provision. Each block is based on a per pupil amount of funding and so any change in pupil numbers will have a direct impact on the total Dedicated Schools Grant (DSG). The blocks are as follows:

**Schools Block**, the majority of which is fully delegated to schools via our local funding formula, a new one having been put in place from April 2013 to meet the requirements of the revised Department for Education (DfE) regulations. Each year the funding formula for schools is reviewed in the context of any revisions to DfE regulations or any other relevant developments. There has been an increase in mainstream pupil numbers of

264 which generates an additional £1.16m of funding for distribution to schools.

**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 - £7.350m. It is not a fixed total as it will be updated for actual pupil numbers throughout the year. In addition to the Early Years Block the Council receives funding in relation to its statutory obligation to make provision for the education of about 40% of all 2 year olds. The funding for this is based on a payment of £4.85 per hour and the total grant received will be reflective of actual participation. The DfE have not allocated a sum in the DSG figures released in December for this element and have indicated the total for 2 year olds will not be allocated to us until July 2015. Their rationale is that as we pay and receive cash on participation at £4.85 per hour there will be no risk to us of a funding total being provided post April.

**High Needs Block**, this funds education for all those pupils in Maintained and independent special schools, Pupil Referral Units and other alternative education provision - £16.179m.

The most significant change for 2015/16 is an increase in the amount of Dedicated Schools Grant (DSG) for Telford and Wrekin pupils in mainstream schools, increasing from £4,367 per pupil to £4,428 pupil. This is an increase of £61 per pupil or 1.4% and means like for like (i.e. ignoring any change in pupil numbers) this will deliver £1.3m of additional DSG funding to Telford and Wrekin. This arises as a result of the DfE adopting a 'minimum funding levels' methodology to ensure that each Local Authority has sufficient funding to fund its schools at minimum levels. Of the 152 local authorities who fund schools only 69 received an increase.

The DfE made a decision not to apply the minimum funding levels to the whole of DSG so excluding any impact on High Needs and Early Years funding despite concerns being raised during the national consultation exercise. The DfE will collect further evidence in these areas before they propose any changes which, in 2015/16, could result in inadequate levels of funding being available.

As most DSG flows to schools the Council sees continuing pressure in other areas, especially High Needs, funded by DSG and over the past few years have been able to carry forward DSG which has assisted the Council in managing the overall DSG position in year.

The Council, following consultation with the Schools Forum and consideration of areas of increasing budgetary pressure will utilise the additional funds as follows:

- £1m to be used to remove the cap on increases in individual school funding per pupil. This will enable the new funding formula to take

effect more quickly. Any remaining funding will be used to increase the basic per pupil funding rates.

- £300,000 to be used to support 'High Needs' education budgets. The High Needs part of the overall school budget is facing considerable pressure due to an upward trend in the demand for High Needs resources (for example special school places and out of area provision).

The amount of Pupil Premium allocated to schools will be based on the January 2015 census. Unlike previous years there is no significant increase planned for this funding but the DfE have indicated that the real terms value per pupil will be protected. Taking into account the estimated pupil number increase the pupil premium for primary and secondary schools may be in the region of £9.7m. 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. In 2015/16 the Government have also introduced an Early Years Pupil Premium and Telford & Wrekin's initial allocation is £181k, this will be adjusted in Autumn 2015 for actual numbers

The changes to education funding 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. In 2014/15 the Forum agreed to funding of £1.129m being retained and a further £0.255m of funding to be de-delegated. Following Forum votes £1.194m of retained funding from the Schools Block 2015/16 was agreed, plus £0.217m of de-delegated funding and a £0.386m central retention from the Early Years block (2014/15 £0.389m).

The Education Services Grant (ESG) was created in April 2013 by separating out funding for education functions of the Local Authority from the general revenue grant funding. Part of the context for this was the DfE's desire to make the funding for academies simpler and more consistent. Prior to the ESG, each authority had a different level of assumed expenditure upon educational functions and so the amount of LACSEG (Local Authority Children's Services Equivalent Grant) provided to academies depended upon the local authority in which they were located. ESG created a uniform amount per pupil across England and so the opportunity for a simpler funding system for academies.

ESG Rate Levels since introduction	2013/14	2014/15	2015/16
Retained duties rate (paid to local authorities for every pupil, both at maintained schools and academies)	£15	£15	£15
General Funding Rate (paid to LAs for pupils in maintained schools and to academies for their pupils)	£116	£113	£87
Academy top-up (paid to academies for their pupils)	£34	£27	£0

The rates are scaled up for special school pupils by 4.25 and for PRUs by 3.75

The Government indicated in 2013 that there would be a reduction in the pupil rates payable to Councils and academies in 2015/16 but for academies there are protection arrangements such that an individual academy's reduction cannot exceed more than 1% of its total annual budget if it was receiving £140 per pupil in 2014/15. For academies receiving more than this in 2014/15 due to existing protection, there is tapered protection which would prevent them from losing more than 3% of their entire budget. Most of Telford & Wrekin's academies are likely to receive funding at or near £87 per pupil in 2015/16, i.e. the protection arrangements won't result in much if any additional funding above this level.

For Telford & Wrekin, the loss of funding for support for maintained schools arising from this has resulted in a reduction of ESG from around £2.7m to around £2.2m. Any further academy conversions will reduce this sum further as for every pupil in an academy the Council's ESG reduces by £87. This reduction in grant has been reflected in the Council's medium term budget strategy.

### **30. EQUALITY IMPACT ASSESSMENT**

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

We 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 screen proposals and ensure that they are fully explored.

An initial scoping exercise to determine which budget saving proposals require action or further investigation with regard to equality impact was completed. For proposals where implications have been identified and are at a sufficiently developed state a proportionate impact analysis has been or will be undertaken.

Where a proposal is still at an early stage of development, a plan has been put in place to ensure delivery of equality impact analysis during its development.

Appendix 3 details progress on equality impact actions.

### **31. ENVIRONMENTAL AND ECONOMIC IMPACT ASSESSMENT.**

Environmental assessment is a procedure that ensures that 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 4 provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.

An economic impact assessment has also been undertaken for those proposals that have a significant individual economic impact (and is also included in Appendix 4). 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, although in 2015/16 these reductions will largely be offset by the additional investments set out in this report.

### **32. SUMMARY OF CONSULTATION AND ENGAGEMENT ACTIVITY AND FEEDBACK.**

Targeted consultation and engagement has taken place throughout the year, related to the proposals put forward in the 2014/15 budget report. Specific proposals in the 2015/16 budget report will be subject to consultation and engagement where appropriate.

As in previous years, communicating and engaging with the community on our future plans is a key part of the budget process. Consultation began on 5 January 2015 and ended on 8 February 2015. Our approach was made up of 3 key elements:

#### **i) Demonstrating Council achievements since 2011, linking with an earlier major consultation.**

Three years ago we asked over 2,800 local people, including children and young people, to tell us their priorities. Their biggest concerns were jobs and the economy, environmental issues such as cleanliness, roads and graffiti and the level of crime and anti-social behaviour. We are able to strongly evidence what has changed.

We proposed that we go back to local people to help make further plans for the next five years, 'Together we care about the future', asking:

- 1.What's the best thing about the borough of Telford and Wrekin?
- 2.What's your biggest concern/problem in the borough?
- 3.If you could do one thing to improve the borough what would it be?

These questions were published in the December 2014 edition of Your Voice with a response form. There was also an opportunity to complete the short survey online and the questions formed part of the budget road show in January 2015.

**ii) Highlighting some simple ways that residents can help the Council to save more money.**

This will be an ongoing promotion simply challenging local people to try any of a number of simple ways that they can support local services and help to save the Council money. Examples include:

- Recycling more and right
- Tackling fly tipping and litter
- Using more online Council services
- Using Council leisure facilities more frequently
- Going to Oakengates Theatre more often
- Helping older people to live independently at home

**iii) Communication of key budget messages including the growth agenda.**

Messages included:

- Planned council investments
- Our vision, focus and priorities
- Winning and supporting jobs and investment
- Savings delivered since 2010/11
- Council Tax – plans to freeze in 2015/16 with a commitment to freeze Council Tax again in 2016/17

To encourage people to find out more about the budget, hear about the Council's proposed investments, engage with the 'Together we care about the future' key questions and find out ways they can help save money we went around the Borough with a road show in January and early February. The road show was a portable informative 'mini exhibition' which demonstrated the above three key elements. We make the road show as participatory as possible, including offering local people an opportunity to have conversations with the Lead Member for Finance and Enterprise, other Cabinet Members and senior managers.

Our communication and engagement plan included at Appendix 11 and provides full details:

- Your Voice which was distributed to homes in the Borough to include a cut out consultation 'together we care about the future' questions to be returned freepost or signposted to complete online.
- Signposting opportunities for people to get involved and give their views on the budget strategy including Facebook, Twitter, write in, ring in or text.
- A survey of the Community Panel.

- An online budget survey on the budget page of the Council website – [www.telford.gov.uk/budget](http://www.telford.gov.uk/budget)
- A road show in January visiting a number of areas across the Borough giving local people an opportunity to hear about the budget and future plans and speak with Cabinet members and senior managers.
- Visits to present the budget strategy at a number of organisations and forums including The Parish Forum, the Senior Citizens Forum and the Young People's Forum.

In total 2,594 contacts were involved with this consultation programme.

The Cabinet Member of Finance and Enterprise, the Chief Finance Officer and relevant senior managers, between them attended a number of local groups and forums including:

- Telford Business Board = 30 in attendance
- Parents with disabilities (PODS) = 7 in attendance
- Taking Part Committee = 24 in attendance
- Senior Citizens Forum = 91 in attendance
- Telford and Wrekin Parish Forum = 20 in attendance
- Union meeting = 3 in attendance
- Sutton Hill Residents Group = 23 in attendance
- Young People's Forum = 11 in attendance
- Listen not Label = 14 in attendance

Total number in attendance at local groups and forums = 223

This year we delivered an interactive road show, visiting a number of areas across the Borough giving local people an opportunity to hear about the budget and future plans and speak with Cabinet Members and senior managers.

- Hadley library = 9 in attendance
- Newport library = 44 in attendance
- Southwater library (x2) = 17 and 19
- Wellington library = 47 in attendance
- Dawley House (x2) = 12 and 73 in attendance
- Woodside Park Lane = 8 in attendance
- Madeley Library = 24 in attendance
- Oakengates The Place = 16 in attendance

Total number in attendance at the road show events = 269

The Community Participation Team went out and about in local buildings across the Borough in the following areas:

- Sutton Hill Community Centre = 20 in attendance
- Donnington Community Centre = 0 in attendance
- Arleston Community Centre = 2 in attendance

- TCAT x 2 = 172 in attendance
- Overdale Children's Centre = 9 in attendance
- Hadley Children's Centre = 9 in attendance
- Brookside Children's Centre = 14 in attendance

Total number in attendance out and about in local buildings = 226

With regard to our 'Together we care about the future' consultation a total of 1,608 completed the survey:

- 486 (30.2%) of people responded to the Community Panel survey
- 557 (34.6%) of people completed a form via face to face contact with a Member or Officer
- 282 (17.5%) of people responded to the survey online
- 81 (5%) of people responded by e mail
- 62 (3.9%) responded by using the tear out slip including sending back the cut out survey in Your Voice
- 2 (0.1%) of people responded by ringing in, writing or texting
- 135 (8.4% of people responded to "drop in" collections
- 3 where the contact method has not been recorded

With regard to the proposed Council investments, a total of 103 people completed the questionnaire.

Opportunities for people to get involved and give their views on the budget strategy via social media, including Facebook and Twitter attracted a total of 113 comments.

We also received 65 "other comments" relating to specific budget savings.

Communication activity to encourage people to get involved in the budget consultation includes the following:

On both Facebook and Twitter

- 57,515 total reach for Facebook, Twitter and Streetlife
- 231 Advocacy (similar to likes and re-tweets)
- 3,634 unique page views (individuals viewing pages) of clicks on the link to our budget web pages with a total number of page views of 4,849 (total number of views including repeat views). This excludes views of number of web forms.
- 2 live Twitter discussions with Cllr Bill McClements

Direct targeting of people

- Article and 'tear out' for comments in Your Voice which aims to be delivered in every household in the Borough
- 25,699 emails to those people signed up through News for You

- Email from Cllr Sahota to Council partners launching the budget consultation
- First Point, Leisure Centre and Library reception staff handing over budget consultation response forms to customers
- Internal communication messages to staff

General information to people

- Six press releases around the Council's budget and promoting involvement in participation in the budget consultation
- Social media campaign throughout the consultation to gather views on key investment proposals
- Two radio interviews involving Cllr McClements, the Cabinet lead for Finance and Enterprise.

Consultation findings are detailed in Appendix 17.

In response to the consultation exercise the saving related to changes to the remissions policy for fees for Arthog and the Music Service has been deleted, a proposed saving for rationalisation of expenditure and income budgets at Arthog of £50k has been reduced to £17k and an additional £1.25m one-off funding on 2015/16 has been set aside for Adult Social services. This has been funded from additional business rates income arising from the Council's proactive work to support and encourage business investment.

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

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

**Appendix 15 gives a more detailed view, but overall, given the continued delivery of savings which now total over £70m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

### **34. NEXT STEPS**

Once the service and financial planning strategy for 2015/16 has been approved by full Council on 5 March 2015 and the council tax resolutions have

been decided, it will be imperative that considerable resource is devoted to rigorous financial management and monitoring by all managers and budget holders. All managers need to effectively and proactively manage their business.

The Council faces many financial challenges over and above the obvious and very significant reductions in Government grant and has limited contingencies and balances available. There are many risks and uncertainties inherent in the new financial system that was imposed by the Government during 2013/14. However, the new local government finance system also presents many opportunities that this Council is ideally placed to be able to take advantage of.

As well as exercising tight financial control and effective financial monitoring, managers and Cabinet Members will need to turn attention to the 2016/17 and later years medium term financial strategy early in 2015/16 in order to identify further savings and opportunities for additional income to bridge the significant projected budget shortfalls through to 2018/19 and the implications of any changes in Government policy following the General Election e.g. in respect of New Homes Bonus and the proposed “re-set” of the local government finance system in 2019/20 will need to be assessed as information becomes available.

## **35. BACKGROUND PAPERS**

- Comprehensive Spending Review and 2015 Spending Round Announcements – Treasury Website
- Autumn Statement – Treasury Website
- LGA Briefing on the Autumn Statement
- LG Futures Autumn Statement and Local Government Finance Settlement briefings – December 2014
- Economic Update Arlingclose Ltd, 3<sup>rd</sup> December 2014
- BBC News Website – Autumn Statement
- Revenue Support Grant Settlement Announcement – CLG Website
- Service & Financial Planning Report to Council – 27<sup>th</sup> February 2014
- Newcastle City Council, Fair Choices in Tough Times – October 2014.
- Medium Term Council Plan 2013/14 to 2015/16.

### **Report prepared by:-**

- **Ken Clarke, Assistant Director: Finance, Audit & Information Governance - Tel: (01952) 383100**
- **Jon Power, Delivery & Planning Manager - Tel: (01952) 380141**

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