

**TELFORD & WREKIN COUNCIL**

**CABINET – 9 JANUARY 2014**

**SERVICE AND FINANCIAL PLANNING 2014/15 TO 2015/16**

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

**LEAD CABINET MEMBER – CLLR BILL McCLEMENTS**

**1. OVERVIEW.**

The Council's key budget strategy proposals for 2014/15 include:-

**Freezing Council Tax for the next two years** - Following the Government's change in approach to the treatment of the 2013/14 freeze grant, the projected benefits from the Council's growth strategy and to recognise the severe pressure placed on many local people by the Government's welfare reforms and cost of living increases.

**Winning and supporting jobs and investment** - Investment by the private sector in the Borough brings jobs for local people and income from business rates (part of which is now retained by the Council), "New Homes Bonus" paid by the Government and additional council tax which all help to support existing front line council services by reducing the cuts we would otherwise have to make.

**Protecting front-line services** - Following unprecedented cuts in our grants from Government and transfer of costs from the NHS, the Council expects to have to make further cuts of £22m by the end of 2015/16. We will continue our approach of protecting front-line services as far as possible although after having already made cuts of over £50m this becomes increasingly difficult. **The cuts we have already had to make (£52.9m) are now greater than the total income we receive from council tax (£49.6m).**

**Investing in Safeguarding Children from harm and neglect** – Creation of an additional budget of £1.2m to be drawn down as required by the Council's safeguarding service and protection of essential front-line early intervention and prevention services.

**Investing in Our Communities** - Expected early delivery of the necessary ongoing savings means that we can make some one-off investments. We want to set up a resident focussed investment fund for 2 years to complement the Council's business and housing growth agenda. This will have a significant positive impact on existing communities funding environmental and infrastructure improvements and help to ensure that the Borough is an attractive place that people want to come to live and locate businesses. Over

two years, we propose committing £8m of capital funding and £1.6m of revenue funding. The debt charges associated with the capital spending will be met for over 12 years from a one-off bonus generated from effective treasury management so no additional strain will be placed on the Council's budget during this period.

**Investing in our Roads and Facilities for Disabled people** – The Council is committing to a programme of £2m pa to maintain our road network for the next 3 years – a total investment over this period of £6m. The Council has also set aside £0.7m in 2014/15 to match fund the disabled facilities grant allocation from Government of £0.721m – helping people to remain living independent lives in their own homes rather than moving into residential care.

**Tackling Youth Unemployment** - Unemployment of 16 – 24 year olds is currently at 32.1% above both regional (24.6%) and national (20.8%) rates. 3,700 young people are unemployed in the Borough. Long term unemployment for 18 – 24 year olds is also an issue. The Council therefore proposes allocating £1.3m revenue funding over the next two years to deliver a range of pledges and actions to tackle youth unemployment.

**Destination Telford** - £0.1m for “Destination Telford” initiatives to promote Telford as a place to visit, live, work and invest in. Under the new localisation of business rates proposals, the Council will receive 49% of any increased business rates generated within the area as well as receiving council tax and New Homes Bonus from new housing developments. The Council will also continue to promote the Telford Loyalty Card and associated initiatives because of the direct financial benefits it brings to local businesses, the local economy and our residents.

**Demanding the correct NHS funding for our elderly and most vulnerable** - The local “Clinical Commissioning Group” has transferred £8.5m of costs for “Continuing Healthcare Cases” to the Council – equivalent to £120 for every household in the area. Residents of Shropshire are 4 times more likely than those in Telford & Wrekin to be allocated NHS funding despite Shropshire being less deprived and having higher average levels of health – this unfairness cannot be justified.

**Lobbying for a fair deal** –

- (i) The Council is also lobbying Government for a “Growth Deal” to ensure that more of the proceeds from the sale of Government land in the Borough is invested back in the Borough and for more than 49% of the business rates generated in the Borough to be retained by the Council in order to help the Council deliver growth in homes and businesses that are central to the Government's economic plans.
- (ii) 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.

## 2. 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 and community care for older people, have been increasing.

The Council has also been subject to a significant transfer of costs in respect of “Continuing Health Cases” (CHC) from the Health Service – estimated at around £8.5m pa. To put this in to perspective, the number of CHC cases per 50,000 population in this area is **less than a quarter** of that in Shropshire despite significantly higher levels of deprivation (and poor health). This huge imbalance cannot be justified and is placing incredible strain on already very stretched Adult Care & Support services.

	Number of People Receiving CHC funding per 50,000 weighted population.
Telford & Wrekin	19.4
England average	50.7
Shropshire	82.2

**Telford & Wrekin’s Clinical Commissioning Group’s (CCGs) data is the lowest in the entire Midlands region. Out of 211 (CCGs) in England, there are only 6 that have less than 19.4 per 50,000 CHC eligibility of weighted population (Telford & Wrekin’s figure) placing us 205<sup>th</sup> out of all 211 CCG areas nationally.**

The transfer of £8.5m CHC costs from the NHS to the Council costs the average household in the Borough £120 each every year. This situation is unjustifiable and the Council is demanding that the CCG corrects this imbalance. As well as the Council bearing additional costs as a result of the CCGs decisions, many individuals in the Borough are also denied the funding that we believe they should be entitled to.

The Council has had to make very significant ongoing cuts 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. By the end of this year, these cuts will total £53m pa which equates to a cut in spend of around £750 for each household in the Borough and by 2015/16 the cuts will total £75m – the equivalent of over £1,000 for each household in the Borough.

**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.**

However given the scale of the Government's cuts to the Council's budget, some service reductions are inevitable and these will become more apparent as further cuts have to be made.

This report sets out a proposed service and financial planning strategy for the period 2014/15 to 2015/16 with specific budget proposals for 2014/15 as well as a schedule of planned engagement and consultation activities with the community around the proposed strategy. The Council clearly has to make significant ongoing cuts to its budget in order to deal with the swinging reductions in our grants from Government. However, good progress is being made in our savings programme with just under £53m ongoing annual savings delivered to date. Early delivery against savings targets enables the Council to make some one-off revenue investments. We are also proposing a new £8m capital investment, the revenue costs of which will be met from a provision created following a review of the Council's approach to calculating Minimum Revenue Provision for the next 12 years with no impact on taxpayers (please see section 5.4). Other reports on this Cabinet agenda give details of these significant one-off investments:-

**Youth Unemployment** - More than one in four young people in the Borough are out of work, putting us above national and regional averages. We need to help young people build their future and the Council has a duty to take a lead role on this agenda working with businesses and partners to create training and job opportunities for young people. To support this initiative we are investing £1.3m revenue funding over a 2-year period (2014/15 and 2015/16) to deliver a programme of pledges and action to tackle youth unemployment and ensure that every 16-24 year old who is seeking employment or training is supported.

**"Pride in your Community"** – we are investing £8m capital and £1.6m revenue funding over 2 years (2014/15 and 2015/16) across the Borough to regenerate communities by improving the physical environment and the appearance of our neighbourhoods. This is a resident focused investment programme, to complement the Council's business and housing growth agenda and will help ensure that the Borough is an attractive place for people to live in and to locate businesses in so supporting our growth agenda and the £3m additional income that is projected from retained business rates, council tax and New Homes Bonus by 2015/16.

Other investments include:-

- The creation of a one-off "draw-down budget" facility of £1.2m to meet pressures on the safeguarding budget
- £30,000 p.a. to increase the Care Leavers Grant from £1,000 to £2,000 as recommended by Scrutiny.
- A programme of £2m pa to maintain our road network for the next 3 years – a total investment over this period of £6m.

- £0.7m in 2014/15 to match fund the disabled facilities grant allocation from Government of £0.721m helping people to remain living independent lives in their own homes rather than moving into residential care.
- £0.1m for “Destination Telford” initiatives to promote Telford as a place to visit, live, work and invest in. The Council will also continue to promote the Telford Loyalty Card and associated initiatives because of the direct financial benefits it brings to local businesses, the local economy and our residents.

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 will open in the spring. Kick-started by Council investment this will create 450 jobs, safeguard a further 300 and create a vibrant heart to the town as well as a regional leisure attraction.
- The owners of The Town Centre Shopping Centre have announced a £200m expansion programme.
- Investing in a new Town Centre library in the Southwater development.
- Nearly £200m is to be invested in Building Schools for the Future which will see seven new secondary schools re-built and a further six secondary schools re-modelled, alongside two re-built Primary Schools and new or refurbished community leisure facilities.
- Making it even 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.
- Investing in land stability schemes to protect the Ironbridge Gorge – the area’s biggest tourist attraction and the West Midlands region’s only World Heritage Site.
- Regeneration schemes currently in progress in Hadley, Brookside and Oakengates.

The proposed Capital Programme summarised in Appendix 5 totals £247m.

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

- Safeguard our children and young people, particularly in the current climate where economic pressures on many families are growing. The overall Safeguarding budget has increased year on year and since 2010/11 the overall budget, including children’s social work teams, has increased by £3.9m recurring. These are the only services in the council that have not been required to make staff savings, recognising the priority that the Council places on safeguarding children;

- Invest in Early intervention and prevention – while making savings, ensuring that we do not lose this important focus;
- Improve the quality of our waste collection and recycling services following a recent procurement exercise whilst also helping to achieve annual savings of over £1m pa;
- Deliver good standards of litter collection and maintenance of roads and pavements;
- Provide a good level of library provision, investing in a new library in Southwater and enhancing customer service by including “First point” services in our main libraries;
- Provide free car parking in all council-owned car parking spaces within the Borough Towns. We are committed to keeping it this way – unlike many other councils who have increased already high car parking charges;
- Enhance rather than cut our leisure provision, so that everyone in the community can use these, helping us to improve the health and well-being of local people;
- Continue to offer free swimming for under 16s;
- Continue the 3 year core grant settlement to our key voluntary sector partners which we initiated last year; co-operating with them for the benefit of our residents and enabling them to plan over the medium term.

Continuing to deliver economic and housing growth is vital if we are to seek to continue to protect and maintain many services across the Borough. The Government have provided financial incentives to councils to encourage growth through the business rates system, through “New Homes Bonus” and by allowing us to retain the benefit from additional council tax from new properties. As well as bringing income to the Council to help protect essential front-line services, growth also creates employment opportunities and helps give many people and families opportunities to address the financial difficulties that the Government’s welfare reforms have caused.

As well as the unprecedented cuts to our grants from Government, service pressures and the transfer of costs from the NHS, the Council has a number of other challenges:-

- We face an ongoing loss from “grant damping” of £1.6m p.a. This is money that the Government calculates should come to this area but which they allocate to other parts of the country.
- We believe that the government understate our population by around 4,000 people costing us around £1.2m pa
- We also have a low tax base. Work undertaken by Stoke-on-Trent City Council last year showed that we were 229<sup>th</sup> out of 324 English local authorities in terms of tax-base strength (i.e. our average property mix is well below national average with the majority of properties in this area being in Bands A or B.)

The Council also has a comparatively low level of council tax being the fourth lowest in the Midlands and only 3% higher than Birmingham which has the lowest. Appendix 6 compares council tax levels across the Midlands area and Appendix 7 compares the council tax levels of unitary authorities. In recent years the Government have offered short term "Council Tax Freeze" grants. Whilst a grant equal to a 1% tax increase, payable for only two years, was offered for the current year, the Government have now changed the goalposts – after Councils had to make their decisions on whether to accept the offer or not – by "base-lining" this grant. Therefore at the Cabinet meeting held on 14<sup>th</sup> November, Members decided to recommend that the council tax freeze grant that has been offered for 2014/15 and 2015/16 should be accepted, subject to consultation, in the expectation that the Government will also now make these ongoing. The local government finance settlement announced on 18<sup>th</sup> December confirmed that the freeze grants would be ongoing. As the freeze grant is based on the council tax base prior to reductions for local council tax support, it is equivalent to a council tax increase of around 1.2% for this council and would raise around £0.35m less than the previously assumed council tax increase of 1.9%. Our growth strategy and the additional income from business rates, council tax and New Homes Bonus (from new houses in the borough) that it will generate make acceptance of the freeze grant more affordable. Accepting the freeze grant will also help local people who are struggling with cost of living pressures and the significant impacts of welfare reforms.

The Cabinet meeting held on 14<sup>th</sup> November also agreed that a two year service and financial planning strategy should be developed covering the years 2014/15 and 2015/16 to match the Government's detailed spending plans which have been published through to 2015/16 following the 2013 Spending Round announcement made by the Chancellor in June this year and which both the Government and the Labour party have committed to as 2015/16 budgets will be set before the next General Election.

Clearly it is becoming increasingly difficult to make savings which will not have direct service impacts. It has to be noted that over 90% of the Council's budget is spent on Adult Social Care, Children's Services and Neighbourhood & Leisure Services so, given the scale of cuts being made by the Government to local government, cuts in these areas are inevitable. The Council has a legal responsibility to set a balanced budget and in the face of an unprecedented period of significant and sustained year on year cuts to the funding it receives from the Government we need to identify ongoing savings or additional income sources to ensure that this requirement is achieved.

The Autumn Statement was announced on 5<sup>th</sup> December. Key points included:-

- Local government spending has been protected from the further cuts announced as part of the Statement. However, all those cuts already announced for future years will still be applied and local government still faces the greatest cuts of any part of the public sector over the life of this Parliament.

- The Government have listened to councils in deciding not to include a top slice of the New Homes Bonus in the Local Growth Fund.
- Local public services will get the same long-term indicative statements as central government in future which will give councils more certainty over their future financial position.
- The Statement included a number of measures to support business through extending rates reliefs. The LGA understands that central government will meet the cost of these reliefs in full.

The provisional Local Government Finance settlement was announced on 18<sup>th</sup> December:-

- The overall settlement was broadly in line with the Council's financial planning assumptions.
- An additional £0.1m of New Homes Bonus was allocated to the Council.
- The funding for the next 2 council tax freeze grants will be built into the spending review baseline i.e. the funding will be provided on an ongoing basis as the Council had assumed was likely to happen;
- Council Tax referendum threshold principles will be separately announced in the New Year, with the potential introduction of lower thresholds than the 2% indicated in the 2013 Spending Round being considered;
- A period of consultation will end on 15<sup>th</sup> January 2014 with the final settlement being announced in late January or early February 2014.
- Indicative figures were also provided for 2015/16 although these are subject to change.

The proposals in the report have been developed in the light of the extensive consultation with the community that has been undertaken throughout the current Administration and Appendix 11 of this report is a schedule of further consultation activities on the proposals included in this report.

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

<b>Projected Budget Gap</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>
Base Budget gap per report to Cabinet 14 November 2013	12.147	23.710
Changes to projected budget gap since November:-		
• Cut in Housing benefit/council tax support admin. grant	0.095	0.095
• Cost of capital investments	0.515	0.491
• Additional New Homes bonus	-0.100	
• Pension fund contributions	-0.694	-1.498
• Other changes	-0.535	-0.535
<b>Updated Budget Gap</b>	<b>11.428</b>	<b>22.263</b>
Savings proposals (net of provision for “leakage” from general fund and savings needed to cover service pressures – see Appendix 3)	-14.133	-19.738
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 will enable 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.

### 3. **RECOMMENDATIONS.**

**Members are asked to agree:-**

**3.1 The service and financial planning strategy set out in this report for consultation with the community.**

- 3.2 That authority be delegated to the Assistant Director: Family, Cohesion & Commissioning, in consultation with the Cabinet Member: Adult Social Care, to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006 with various NHS bodies.**
- 3.3 That the Assistant Director: Law, Democracy and People Services be authorised to execute all necessary contract documentation in accordance with the constitution, including the affixing of the common seal of the council as appropriate to enable the council to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006.**

4. **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 is included as Appendix 4a. Due to the complexity of the budget setting process with a large array of proposals for savings there is potential for a number of small changes to have a large cumulative effect. We will conduct a full impact assessment of all of the budget proposals, to be considered by Cabinet on the 20<sup>th</sup> February 2014.</i>
<b>TARGET COMPLETION/DELIVERY DATE</b>	<i>A series of borough wide public consultation activities will be undertaken during January. The proposals contained in the report will also be subject to Member scrutiny during this period. Final proposals will be considered by Cabinet on 20<sup>th</sup> February 2014 who will make recommendations to full Council on 27<sup>th</sup> February 2014. The final agreed recommendations will be implemented during 2014/15 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 2014/15 and the medium term.</i>
<b>LEGAL ISSUES</b>	Yes	<i>This report develops the proposals for the Council's budget and policy framework which will be consulted upon in accordance with the Constitutional budget and policy framework procedure rules and related Council decisions that will, in due course result in the Council setting its budget and council tax</i>

		<i>levels by the March deadline laid down by the Government</i>
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	Yes	<p><i>This report sets out the strategy framework which includes consideration of corporate risks – particularly in relation to the availability of balances.</i></p> <p><i>Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment.</i></p> <p><i>The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact. The environmental assessment detailed in Appendix 4b 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 4b and are broadly neutral in 2014/15 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 proposed investments in the Pride in Your Community initiative, tackling youth unemployment, safeguarding and the other capital and revenue investments outlined on the report.</i></p>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes/No	<i>Borough-wide impact.</i>

## **4. CONTEXT**

### **4.1 Spending Round 2013.**

The Chancellor announced his “Spending Round 2013” on 26th June 2013. As a General Election is scheduled for May 2015, the Spending Round announcements only dealt with national spending plans for 2015/16 and identified £11.6bn further Government savings towards the national deficit reduction programme. The Labour Party have also pledged to match the spending totals for 2015/16 if they win the election. The Chancellor’s announcements included a 10% cut in Local Government funding. However, this was a national figure and the impact will vary between authorities. Subsequent announcements indicate that the reduction for this Council will be in the region of 13.9% for 2015/16 although the position will not be clear until we receive our detailed final grant settlement information for 2015/16 in December 2014.

The Chancellor’s other announcements included that the Council Tax referendum threshold in 2014/15 and 2015/16 would be set at 2% (although on 18<sup>th</sup> December the Secretary of State announced that this was subject to review and may be reduced) and it has also been announced that further council tax freeze grants equal to 1% of the council tax base prior to reductions for Local council Tax Support Schemes would be available in 2014/15 and 2015/16.

### **4.2 Autumn Statement.**

The Chancellor, George Osborne, delivered his Autumn Statement on 5<sup>th</sup> December 2013. 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.

#### **Key Messages:-**

- Local government spending has been protected from the further cuts announced as part of the Statement. However, all those cuts already announced for future years will still be applied and local government still faces the greatest cuts of any part of the public sector over the life of this Parliament.
- The Government have listened to councils in deciding not to include a top slice of the New Homes Bonus in the Local Growth Fund.
- Local public services will get the same long-term indicative statements as central government in future which will give councils more certainty over their future financial position.
- The Statement included a number of measures to support business through extending rates reliefs. The LGA understands that central government will meet the cost of these reliefs in full.

However, the LGA states that “by the end of this Parliament, local government funding will however have fallen by £20 billion: a cut of 43 per cent. The next two years will be the toughest yet for people who use and rely on the vital everyday local services that councils provide”.

On Business rates, the Chancellor announced that:-

- The business rate rise in 2014/15 will be capped at 2 per cent (it would otherwise have risen by 3.2 per cent in the line with the increase in the September 2013 Retail Prices Index)
- The temporary extension of small business rate relief which was due to expire on 31<sup>st</sup> March 2014 will be extended until 31<sup>st</sup> March 2015. There will be additional help for businesses who are expanding and would otherwise lose small business rates relief
- There will be a discount of up to £1000 against business rates bills for retail premises such as pubs, cafes, restaurants and charity shops with a rateable value of up to £50,000 in 2014/15 and 2015/16
- There will be a new temporary reoccupation relief granting a 50 per cent discount from business rates for new occupants of previously occupied retail premises for 18 months
- The Government committed to resolving 95 per cent of outstanding appeals by July 2015 and will consult in 2014 on changes to the valuation and appeal systems.
- The Government announced that they will legislate to allow businesses to pay rates over 12 months rather than 10 with effect from 2014.

On Capital receipts the Chancellor announced that following a recent consultation, councils can bid to use receipts from sales of capital assets to fund the revenue costs of service reforms. The total amount of capital receipts that will be granted this flexibility is limited to £200m across the two years 2015/16 and 2016/17.

The Chancellor announced new incentives to encourage young people into work including:-

- new incentives on employers to take on under 21 year olds through reduced National Insurance Contributions and
- moves to fund apprenticeships directly through the tax system.

The Government also announced additional revenue funding of £450m in 2014/15 and £635m in 2015/16 will be provided to fund free school meals for all infant school children from September 2014 and disadvantaged college students. £150m of capital is being made available to ensure that schools can build new kitchens or increase dining capacity where necessary. £70m of this will be new money and around £80m will be from unspent Department for Education maintenance budgets.

### 4.3 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. As previously reported in financial monitoring, full details of how the new system will impact on councils are still not available with the treatment of outstanding appeals on rateable values potentially having a significant impact on the Council's overall revenue position but rules for estimating this liability and the accounting treatment of it are currently unavailable.

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 2014/15 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 2013. This extremely late announcement makes planning and forward projections extremely difficult and compresses the time available for consultation.

2014/15 is the second year in which local government funding is provided through the new Business Rates Retention (BRR) Scheme.

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:

	2014/15 SFA £m
Revenue Support Grant which is paid by the Government	42.061
Business Rates income which the Government considers the authority should be able to collect locally	32.426
A top-up grant paid by the Government as locally collected business rates are below a pre-determined baseline	2.076
<b>Total 2014/15 Settlement Funding Assessment</b>	<b>76.563</b>

Revenue Support Grant and the top-up grant are direct payments from the Government and are therefore fixed. The level of business rates will depend on local factors including estimated growth and collection rates. It should also be noted that councils have yet to receive the government return to submit their local projections for 2014/15 business rates and there are still uncertainties around the accounting treatment of appeals which need to be clarified. The amount of business rates income which can be included in the budget is therefore difficult to predict.

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 £31.915m is reached are a cost to the Council.

The ministerial statement highlighted that local authorities will face an average reduction in spending power of 2.9% in 2014/15; and that no local authority would experience a decrease of more than 6.9% 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

For Telford & Wrekin “spending power” has reduced by 3.2% for 2014/15.

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

- The funding for the next 2 council tax freeze grants will be built into the spending review baseline i.e. funding will be provided on an ongoing basis as the Council had assumed was likely to happen;
- Council Tax referendum threshold principles will be separately announced in the New Year, with the potential introduction of lower thresholds than the 2% indicated in the 2013 Spending Round being considered;
- Local authorities will get a Section 31 grant as compensation for the 2% cap applied to business rates, announced in the Autumn Statement;
- There is an expectation that billing authorities continue passing on support to town and parish councils in relation to the Council Tax Support Scheme.

A period of consultation will be held on the provisional settlement until 15 January 2014 with a final announcement not being made until late January or early February 2014.

#### **4.4 Savings already made**

Over the last five years the Council has made almost £53m. of ongoing annual savings. The need for savings has increased each year due to Government grant cuts, inflation and other pressures including the transfer of significant costs in respect of Continuing Healthcare cases from the 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 (including additional "in-year" savings)
<b>Total</b>	<b>52.915</b>

This is equal to around a £750 cut in 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 cut**

- Cut 1,075 jobs since 2009, saving around £20m pa following a major redesign and restructuring of the organisation,
- Since 2009 staff pay has increased by 1% while inflation (RPI) has risen by 19.1%,

##### **Cutting senior managers**

- Cut the size of the senior management team by more than 50%
- Cut most senior pay by 25% in real terms
- Cut the number of middle managers by 35%

##### **Back office costs**

- Cut back-office costs by 40% since 2009, saving £7m a year. This scale of reduction is significantly greater than most authorities have achieved through outsourcing or sharing services.

##### **Buying better value services**

- Delivered £6.6m procurement savings over the past 5 years by renegotiating and re-tendering contracts for the provision of services

##### **Income through growth**

- As part of our business winning approach, we expect to generate an extra £3.1m in additional income by 2016 through growth in business

rates, government incentives paid to councils for increasing housing supply and from additional council tax. This income will help fund front line services.

### **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 recently established 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 educational psychology, sensory inclusion and portage whilst Shropshire provides a pan Shropshire adoption service.
- We also work with authorities across the West Midlands through our links to IEWM to put in place regional procurement contracts for agency foster care and residential accommodation
- Through a series of service reviews and by working with other local authorities we continue to explore further options for sharing services where it can be demonstrated that these will offer greater value for money.
- Working co-operatively with our Town and Parish Councils such as the Parish Environmental Teams and Library provision in Brookside and Stirchley, Great Dawley and other areas.
- Sharing the administrative costs of the pension scheme by participating in the Shropshire wide superannuation scheme.
- 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%

### **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

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 helps protect essential front line services by reducing the amount of cuts that would otherwise have to be

made. Our programme of asset sales totals £81.7m over the medium term. The planned profile of these receipts is shown below:

	£m
2013/14	5.4
2014/15	38.3
2015/16	26.5
2016/17 onwards	11.5
Total	81.7*

\* Sites with total values of £5m provisionally earmarked for the potential Housing Investment Programme (HIP) have been excluded from this list because if the HIP proceeds they would not be available for disposal.

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. 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.

#### **4.5.1 Adult Care & Support**

Care & Support services for adults in the borough account for over a third of the Council's budget. These services are under particular pressure being caused by Telford & Wrekin's Clinical Commissioning Group's (CCG) stance on funding of Continuing Health-Care (CHC) cases. Unfortunately, the CCG have added to our financial pressures by 'shunting' around £8.5m of costs that they would previously have covered in respect of CHC cases to the Council by, in the Council's view, taking a much harder line when undertaking assessments for continuing healthcare funding. As well as impacting on the Council, this change in approach has also resulted in self-funders having to pay for care that would previously have been covered by the NHS placing additional pressures on many families across the Borough.

To set this out starkly, in 2009/10 the PCT spent some £13.9m on CHC cases. In 2012/13, the Telford & Wrekin PCT spent just £2.3m directly on care packages for CHC (the CCG has agreed to 'top' this up through a one-off payment to the Council this year of £2.4m). This decrease in funding has taken place over just 3 years and contradicts the key health and demographic statistics in the Borough. Overall, the health of the population of Telford & Wrekin has remained relatively unchanged (the dramatic fall in CHC funding would/should indicate that we would have seen significant improvement in

health) and we are also seeing increasing numbers of elderly people requiring care services.

Whilst, the Council accepts that the PCT (the precursor to the CCG) were at one time generous in their CHC funding compared to national averages, the position now has completely reversed. To illustrate how extreme the position in Telford & Wrekin currently is, the number of people receiving CHC funding in Telford & Wrekin as at 30 June 2013 had fallen to just 62 throughout the whole Borough, at a time when numbers receiving CHC funding are increasing both nationally and in Shropshire. The ratio of CHC cases per 50,000 population in Shropshire is over four times higher than in Telford & Wrekin when a lower ratio might be expected in Shropshire given the Community Hospital provision available in Shropshire which the NHS does not provide in Telford & Wrekin and the significantly lower levels of deprivation and ill health in Shropshire compared to Telford & Wrekin.

	Number of People Receiving CHC funding per 50,000 weighted population.
Telford & Wrekin	19.4
England average	50.7
Shropshire	82.2

We calculate that the CCG, if it were to spend at the national average, would need to spend in total c. £6.6m. To get to the average number per 50,000 population and using a very conservative average cost of a person receiving a relatively high level of care, of £750 per week indicates a level of underfunding – after taking account of the CCG's one-off payment to the Council - by the NHS locally still of around £2m. To equate to Shropshire's figures, and using the same very conservative cost per week, an additional £5.9m would need to be made available by the NHS. This Council has requested the CCG to contribute an additional £2m to address this situation. We believe that this is a very reasonable request, but, to date, the CCG has felt unable to agree to this.

In developing our proposals for further savings for the next two years to meet the further Government grant cuts and pressures caused by reduced CHC funding, we cannot avoid now making some cuts that will have some impact on front-line services. Adult Care services account for 36% of the Council's net budget and it is unavoidable that savings need to be made in this area. In order to deal with the current in-year overspend and to make a contribution towards the overall cuts that the Council needs to make, a total of over £10.5m will have to be found from Care & Support budgets by 2015/16. Clearly, this target would be much lower if the NHS had not transferred £8.5m costs relating to CHC cases to the Council.

We are therefore putting in place a package of measures to reduce spending which are guided by the principles of:

- Seeking to protect care for the most vulnerable people in our community;

- Reducing costs in areas where spend can be seen to be high in comparison to national averages.

The focus for realising these savings will be:

- Re-commissioning and negotiating down provider costs (c. £3m)
- Efficiencies, service re-design, reviewing block care contracts, more effective enablement, and review and maximisation of income (c.£2.6m)
- Reducing care packages for existing people in the community care system where there is likely to have been historical over-prescription of essential need or support elements can be replaced by, for example, assistive technology or community-based support of lower cost (c.£1m)
- Restricting access to the community care system for people with a relatively low level of need and supporting families and communities to do more to support their own without the need for funded care (c.£0.4m).

Discussions are also continuing with the CCG with the intention of seeking an ongoing CHC funding split that is more in line with national norms and therefore fairer to the Council and local “self-funders”. We are currently seeking an additional £2m pa to give an ongoing commitment from the CCG of at least £4.4m. Additional pressures will also be caused by the need to prepare for and implement new systems to accommodate national Adult Social Care reforms with effect from 2016/17.

#### **4.5.2 ITF/“Better Care Funding” in 2014/15**

Government policy is that Councils and CCGs move towards the integration of health and social care services, with particular reference to the requirements to have an Integration Transformation Fund (ITF) now renamed the “Better Care Fund” (BCF) agreed and in place by April 2015. In reality this means that integration proposals need to be developed now, to allow relevant budgets to be freed up during 2014/15 for inclusion in the BCF and an initial planning template which has to be submitted by 15<sup>th</sup> February 2014, signed off by the Council, CCG and Health and Wellbeing Board.

Whilst the BCF will not come into being until 2015/16, there has been a further £200m added to the existing NHS transfer to Local Authorities, in 2014/15 to assist them in preparing for its implementation. Individual allocations were announced as part of the local government finance settlement on 18<sup>th</sup> December, for Telford & Wrekin the additional funding is £0.78m. The use of this funding will be subject to the same approval procedures as the BCF.

#### **4.5.3 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 is therefore requested 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.

#### **4.6 Childrens' Safeguarding**

The Budget & Finance and Children & Young People Scrutiny Committees have undertaken detailed work scrutinising childrens' safeguarding services and made a number of recommendations. Central to these was that the Children in Care Placement Budget should be increased to reflect increasing levels of demand and to reflect the importance that the Council places on this essential service.

However, the placement budget is not the only budget that supports children in care. The overall Safeguarding budget has increased year on year and since 2010/11 the overall budget including children's social work teams has increased by £3.9m recurring at a time when other services have faced significant reductions. In addition these are the only services in the council that have not been required to make staff savings. The Lead Member, and the Director of Children and Families have consistently reinforced their position that children's safety is their first priority and that if the needs of an individual child requires that they come into care then this is what will happen

Scrutiny stated that "the impact of early intervention has yet to be seen on reducing the number of children coming into care and the economic climate makes it unlikely that we will see a decrease in the medium term. The budget model should therefore reflect the upward demand that has been evident in recent trends locally, regionally and nationally". However, from 2011/12 to 2012/13 there was a significant fall in new entrants to care from 153 to 118 and the number of new entrants this financial year is running at a similar level. The reason why the numbers have increased is due to the length of time that children who cannot go home or be adopted are staying in care. This in turn is due to the complexity of need but also because more teenagers are remaining in care "staying put" with their carers instead of discharging themselves when they are 16 years old.

Whilst recognising that there would be implications for funding in other areas, the committee felt that "planning a realistic budget is in everyone's interest and will enable the Council to manage the overall budget rather than having to make additional savings in-year which have not been planned" and that "The continual overspend and drawing on contingencies has created a mind-set of not doing well and has led to the issue becoming highly politicised". Whilst the savings that had been hoped for have not been fully made, senior managers have been very positive with staff about their achievements whilst

still reinforcing the need to “do more”, “be creative” and “keep going”. Work has been done to forecast likely spend over the next 2 years. This takes into account the current children who are in care and balances predictions about the effects of the continuing economic pressures on families with the creativity of staff in finding more personalised ways of providing support. There is a concern that increasing the budget in the way scrutiny suggest would not only imply a lack of confidence in our staff but even possibly that further efforts to be more creative and keep more children with their families where it is safe to do so is no longer expected.

It is therefore proposed, in response to detailed work undertaken by scrutiny, to create a one-off “draw-down” budget for 2014/15 of £1.2m , alongside a Cost Improvement Plan detailing actions to achieve savings of £1.329m, which will meet the anticipated demands on the service during 2014/15 with the position being reviewed again as part of the 2015/16 service and financial planning process when the ongoing position can be assessed in the light of further progress being made with the early intervention agenda and the Cost Improvement Plan which is included as Appendix 2 to this report.

## **5.0 OUR STRATEGY**

### **5.1 INVESTMENTS**

Our strategy is based on spending plans that address the community’s needs and priorities and support the long-term economic growth of the Borough. We clearly cannot invest in everything; therefore we have identified the following investment priorities:

**a) Youth Unemployment** - we are investing £1.3m revenue funding over a 2-year period (2014/15 and 2015/16) to deliver a programme of pledges and action to tackle youth unemployment and ensure that every 16-24 year old who is seeking employment or training is fully supported. Plans include:

- Providing work placements to young people who have identified a lack of work experience as a barrier to employment
- Providing apprenticeships and improving the quality of and access to the programme as well launching an apprenticeship hub for local employers to encourage greater take-up.
- Providing the opportunity for young people to work with an ‘employment coach’ to help them on their journey to employment
- Increasing the number of job junctions across the Borough (a drop-in service that provides help and advice to people seeking work)
- Launching a Jobs Fair at the International Centre in March 2014
- Launching a one stop shop for employment and skills to provide real time advice about careers linked to local opportunities in the labour market.

- b) Pride in your Community** – We plan to invest £8m capital and £1.6m revenue funding over 2 years (2014/15 and 2015/16) across the Borough to regenerate communities by improving the physical environment and the appearance of our neighbourhoods. This is a resident focused investment programme, to complement the Council's business and housing growth agenda.

The aim is to ensure that the positive impacts of growth are spread across Telford and Wrekin, and that the whole area is seen as a place to invest in, so that residents feel a sense of pride in where they live and work. It aims to take the pressure off revenue reactive maintenance budgets, reduce insurance claims, reduce deterioration in our 'New Town' infrastructure, create improvement in our communities and provide a visible and tangible positive statement that the Council is living up to its responsibilities, particularly in our most deprived communities, and enhancing our 'Destination Telford' approach and image as a 'Business Supporting, Business Winning' Council.

This investment will be over and above the commitment to make £2m pa of Council resources available to supplement Government highways maintenance allocations for the next 3 years – a total investment over this period of £6m.

- c) Children's Safeguarding** - we are investing £1.2m revenue funding into a one-off "draw-down" budget for Children's Safeguarding in response to growing pressures on this service, as described in Section 4.6
- d) Support for care leavers-** The Children and Young People's Scrutiny Committee recommended that the Care Leavers' grant which the Council makes to young people when they leave the Looked After Children system in order to help fund the costs associated with setting up home for the first time should be increased from £1,000 to £2,000. This will cost around £0.03m pa.
- e) Public Health** - The Council's proposed commissioning intentions for its £10.9m Public Health grant are set out in Appendix 10. This is a ring fenced grant received from the Department of Health and must be used to deliver specified public health outcomes.
- f) Destination Telford** – linking to our priority to be a 'Business Supporting, Business Winning Council', we are proposing to invest £0.1m revenue funding into initiatives and events such as the T Live and T Party events held in the Summer of 2013 that will promote Telford & Wrekin as a place to visit, live, work and invest in. As well as benefits to the local economy, for example through increased business and leisure tourism, encouraging more people, businesses and developers to come to Telford has direct financial benefits to the Council, for example through increased New Homes Bonus (a grant for

Councils for increasing the number of homes in their areas) and the retention of a share of additional business rates in respect of new commercial or industrial premises. This investment recognises that Telford & Wrekin is in direct competition with other areas and that promoting our 'whole offer' is critical to long-term economic growth and prosperity. The Council will also continue to promote the Telford Loyalty Card and associated initiatives because of the direct financial benefits it brings to local businesses, the local economy and our residents.

- g) £30,000 p.a. to increase the Care Leavers Grant from £1,000 to £2,000 as recommended by Scrutiny.
- h) £0.7m in 2014/15 to match fund the disabled facilities grant allocation from Government of £0.721m helping people to remain living independent lives in their own homes rather than moving into residential care.
- i) We are investing £0.7m in ICT to help support the delivery of services to customers in a customer friendly and cost effective way. We are also investing £0.7m in maintenance of the Councils' buildings.

## 5.2 SAVINGS

Over the past 4 years, we have made almost £53m savings. In delivering these savings, we have tried as far as possible to minimise the impact on priority front-line services.

This principle remains the starting point for our current strategy (see Appendix 3 for details of 2014/15 and 2015/16 savings proposals). We will continue to focus on areas that do not have a significant impact on service delivery, such as:

- **Improving procurement** - Further improving robust contract management to ensure providers and suppliers meet their contractual obligations, reviewing existing contracts to ensure they are fit for purpose and achieving value for money, widely advertising all contract requirements over £5k to achieve optimum market prices, making greater use of framework agreements and getting added social value from procurement.
- **Further Rationalisation of property and generation of capital receipts** – we are continuing our ambitious plans to invest in schools, regeneration and other capital projects to transform the Borough. In order to minimise debt repayments, we have a planned programme of asset sales totalling £81.7m over the medium-term but will continue to seek new opportunities to make the best possible use of the assets that the Council holds.

- **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.

However, given the ongoing financial challenge facing us, these options alone will not deliver sufficient savings. Therefore a key part of our strategy is to adopt a more commercial approach in order to generate additional income. All service areas have been set challenging targets to deliver a minimum of 20% of their savings targets from income over the next 3 years.

A number of new income generation opportunities have already been identified and are currently subject to detailed feasibility studies, including:

- **Housing development** – we plan to build over 550 new homes for the private rental market on Council-owned land over the next 3 years. The majority of these will be in and around the Southwater development, which will help to make the area more vibrant and attractive to investors. As well as providing a new income source for the Council, the development will also help to create new jobs in the local construction industry and supply chain.
- **Energy** – we are also working on a number of renewable energy generation projects. These include plans to develop a commercial-scale solar farm and to install roof-mounted solar panels on a number of Council buildings. As well as generating income, which is guaranteed by the Government for a 20-year period, these projects will deliver significant environmental benefits. For example, the proposed solar farm is likely to save more than 2,300 tonnes of CO<sub>2</sub> and generate enough electricity to power more than 1,000 homes. The Council is also a co-owner of West Mercia Energy which is an energy supply consortium providing energy to the four owning authorities and a number of external public sector clients.
- **Everyday Telford app** – following the successful launch of the new Everyday Telford app, we have entered into a commercial partnership agreement with the app developer, who are based in

the Borough, to help them market the app to other councils and public sector organisations.

We are also seeking to generate additional income through the provision of Council services to other organisations, both within and outside the Borough. For example, we have recently won contracts to provide catering services to 6 private pre-schools in the Borough and have recently launched our property and design service to residential and business customers.

Whilst income generation will be an increasingly important element of our budget strategy, these opportunities will take some time to come to fruition and, given the scale of the cuts being made to our grants from Government, will not address our whole budget shortfall.

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

**Carrying out planned, long-term service redesign, such as:**

- Waste management – we have undertaken a comprehensive and complex process to procure a future waste service management contract with the first services commencing from April 2014. The aim of the procurement was to secure the best value for money for local taxpayers whilst also seeking improvements to services. Following negotiation with the market and a bid evaluation process, the selected Preferred Bidder submitted a bid that will help to deliver a total of £30m savings over the Contract period.
- Services for adults with learning disabilities – we are currently carrying out a review of our in-house services for adults with learning disabilities. The aim is to deliver £0.5m savings whilst maintaining good quality but more flexible and personalised services. We have consulted on and are finalising proposals, which include a Community Enablement Hub where people's independence skills would be maximised, an Enterprise Hub to equip people with the skills to move into work and ongoing services delivered in a community setting.
- Transport – we are also carrying out a review of our transport services. This includes our in-house fleet services, where we are considering a number of options to reduce costs but also to broaden the transport options available.

A continuing **targeted service review and restructuring programme**. When carrying out restructuring, our aim is to keep compulsory redundancies to a minimum, to actively promote applications for voluntary redundancy and to promote flexible working arrangements. The latest round of the General

Voluntary Redundancy Scheme was launched in September 2013. Twenty four applications have been approved so far, which will result in an annual saving of more than £0.5m.

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

**Lobbying for a fair deal** – 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. The Council is also lobbying Government for a “Growth Deal” to ensure that more of the proceeds from the sale of Government land in the Borough is invested back in the Borough and for more than 49% of the business rates generated in the Borough to be retained by the Council in order to help the Council deliver growth in homes and businesses that are central to the Government’s economic plans. The Council is also actively lobbying for the CCG to fund a fair share of the costs of looking after our elderly.

### 5.3 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 fourth lowest in the Midlands region at Band D (£1147.49) and is only 3% higher than Birmingham which is lowest (£1113.67). Appendix 7 compares our council tax to the other unitary authorities in England and shows that we have the 12<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 (£1240.23 at Band D) in the current year, we would have generated an additional £4.0m p.a.

As well as a comparatively low level of council tax, this area also suffers from comparatively low property values with our average property being in Band B. In a league table of “tax base strength” produced by Stoke on Trent City Council last year, we ranked 229<sup>th</sup> lowest out of 324 English local authorities. Whilst this is relatively good news for local residents, although we appreciate that council tax bills are still 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	4.0
Grant damping figure for 213/14	1.6
The population undercount	<u>1.2</u>
	6.8

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.

In recent years, the Government have made offers of grants to Councils to freeze council tax. These Council Tax Freeze Grant offers have been for varying amounts and for varying durations:-

Year grant offer related to	Period grant initially offered for (years)	Grant equivalent to a Council Tax increase of (%)
2011/12	4*	2.5
2012/13	1	2.5
2013/14	2*	1

\* The grant offers for 2011/12-2014/15 and the grant offer for 2013/14 – 2014/15 have subsequently been “base-lined” i.e. they are now treated as ongoing rather than time limited grants.

Further to the Government’s change in treatment of the 2013/14 1% council tax freeze grant which was offered as being available for only two years but has subsequently been “baselined”, a decision was taken at Cabinet on 14<sup>th</sup> November 2013, to accept the Council Tax Freeze grants for 2014/15 and 2015/16 subject to the results of consultation on the presumption that the Government will also make the freeze grants for these years ongoing. The local government finance settlement announced on 18<sup>th</sup> December confirmed that the freeze grants would be built in to the base i.e. that they would be ongoing following lobbying by councils.

The freeze grant 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 1.2%. If the freeze grants are taken rather than increasing council tax by 1.9% in both years as had previously been planned, the budget gap would increase by £0.7m over the two year period. However, our main objection to council tax freeze grants has been that they were short-term and did nothing to resolve the longer term financial sustainability of the Council, which if they are now to be base-lined is not a concern and taking the freeze grant would enable the council to assist local people who are suffering pressure from cost of living increases and the impact of the Government's welfare reforms.

#### **5.4 REVIEW OF APPROACH TO DEBT REPAYMENT**

The Local Authorities (Capital Finance and accounting) (England) (Amendment) Regulations 08 (SI 08/414) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision (MRP) has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four main MRP options available to councils are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

However, this does not preclude other prudent methods being used. Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

The Council's policy is to apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure. However, the asset life method can be calculated in two ways. Either on a straight line basis i.e. Equal instalments of Principal (EIP) are repaid throughout the life of the asset) or on an annuity basis (i.e. the repayments are equal in cash terms throughout the life of the asset with the first repayment being largely composed of interest and the final repayment largely made up of principal – similar to a domestic "repayment mortgage").

The Council recently undertook a review of all treasury management policies with its external specialist treasury advisors Arlingclose. Clearly in the current financial climate, one of the aims of the review was to highlight any options that would lead to savings to support our service and financial planning strategy and where possible protect front-line services.

CIPFA's guidance states that "The informal commentary on the statutory guidance suggests that the annuity method may be particularly attractive in projects where revenues will increase over time. However, it is arguably the case that the annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10

years time is less of a burden than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of amounts when they fall due.

The annuity method would be a prudent basis for providing for assets that provided a steady flow of benefits over their useful life.”

This Council has been using an EIP approach and without making any changes to its approved MRP policy could choose to calculate its repayments under Option 3 (Asset Life) using an Annuity basis. The implication of making this change would be to reduce payments in earlier years but to increase them in later years. However, the real terms value of payments will be lower in future years given the effects of inflation and net increases would not start to come through for 15 – 20 years. (Only assets with reasonably long lives are funded from borrowing in order to spread costs) so giving plenty of time to build increased payments in to the forward financial projections for the Council. Given the unprecedented cuts in our government grants it is considered appropriate to change the basis of calculation to an annuity method in order to help deliver the ongoing savings that the Council must find.

The savings arising from this change in future years would be:-

	£m
2014/15	1.489
2015/16	1.232
2016/17	1.084
2017/18	0.921

These savings going forward will gradually reduce, but with inflation, council tax increases, council tax base increases and growth in retained business rates income the impact of the eventual increases will have a considerably lower impact on our overall financial position in future years than the opportunity presented now.

Local authorities are allowed to make voluntary extra provision (VRP) in any year, that is to say MRP above the minimum prudent amount can be made. In the case of the straight line method the formula used to calculate MRP ensures that where VRP is made future years provision is reduced. Having reviewed our MRP policy we consider that we could have used the annuity method since the guidance was introduced it would therefore seem appropriate to treat any “over provision” as VRP and amend the future years charge accordingly. The simplest way to do this is with a one off adjustment in the current financial year.

Given the scale of the accounting entries, this approach has been discussed with the Council's External Auditors who have looked at the information that we have provided and have also reviewed the relevant guidance, which “gives councils quite a lot of breadth in assessing and calculating a prudent minimum revenue provision” and have confirmed that our proposals appear to satisfy

the conditions in the guidance. Clearly however, the details of the final calculations will be reviewed as part of the year-end audit.

The over provision for 2012/13 and prior years is £3.843m and the saving in MRP for 2013/14 is £1.041m giving a total saving of £4.884m in 2013/14. As this one off saving has not been previously taken in to account in our budget projections and arises from a review of debt repayment costs, it is proposed that the one off benefit in the current financial year is put in to a provision and used to fund the annual debt charges associated with £8m new capital investment in the “Pride in Your Community” programme proposed in the report elsewhere on this agenda. If agreed, the provision would be sufficient to meet the debt charges for this programme for more than 12 years.

In total this re-phasing of principal repayments will save the Council over £9.5m to 2017/18.

## **5.5 BASE BUDGET, BALANCES AND CONTINGENCIES**

A summary of the Base Budget position is included at 8a which shows a net base budget of £136.485m for 2014/15 giving a base budget funding gap of £11.428m. Appendix 8b analyses the main changes in moving from the 2013/14 budget to the 2014/15 base budget.

Appendix 9 summarises the overall balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This shows around £3.7m 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.

The financial monitoring report considered at Cabinet in December showed a projected underspend in the current year of over £3m. (including currently uncommitted contingencies). Whilst much could still change in the remainder of this year, it is reasonable to assume that it should be possible to make a significant transfer in to the Council’s Severance fund in order to support the delivery of further savings from further cuts to staffing budgets. Any further underspend available at year end will be used to increase the “capacity” and “invest to save” funds in order to support the delivery of further ongoing savings or will be used to increase general fund balances.

Current available balances within the “Capacity Fund” of £0.16m and “Invest to Save Fund” of £0.29m are shown as committed as these are likely to be committed during the period of this medium term financial strategy.

The base budget includes an allowance for pay awards of 1% pa. 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. This provision for inflation is currently held centrally as a specific inflation contingency pending confirmation of the minimum amounts

that will need to be allocated to services in order to achieve a realistic budget during these years when the relevant inflation indices are available.

The base budget for 2014/15 includes a revenue contingency of £2.5m and an additional “Draw-down” budget for Safeguarding is proposed for 2014/15 in response to requests from scrutiny for additional budget to be made available for safeguarding.

As the Council is planning to implement an equal pay settlement during 2014/15, the provision for additional costs arising from the settlement of £2m. has been built in to the budget from 2014/15 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.

## 5.6 MEDIUM TERM GENERAL FUND STRATEGY

<b>Projected Budget Gap</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>
Base Budget gap per report to Cabinet 14 November 2013	12.147	23.710
Changes to projected budget gap since November:-		
• Cut in Housing benefit/council tax support admin. grant	0.095	0.095
• Cost of capital investments	0.515	0.491
• Additional New Homes bonus	-0.100	
• Pension fund contributions	-0.694	-1.498
• Other changes	-0.535	-0.535
<b>Updated Budget Gap</b>	<b>11.428</b>	<b>22.263</b>
Savings proposals (net of provision for “leakage” from general fund and savings needed to cover service pressures – see Appendix 3)	-14.133	-19.738
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”	-0.049	-0.245

initiative		
<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 will enable 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.

As results from public consultation, including that on proposed savings and council tax levels, become available over coming weeks and further information on funding and budget pressures comes to light the budget projections will continue to be refined and proposals for addressing the remaining budget gap in 2015/16 will be firmed-up. Updated projections and proposals will be presented to Cabinet in February and where necessary further public engagement will then take place.

## 6. EDUCATION FUNDING.

Compared to Local Authorities' funding, schools funding has been comparatively protected but with the overall Dedicated Schools Grant (DSG) per pupil amount being cash frozen as it will continue to be over this spending review period, although the school funding changes implemented in 2013/14 did result in differing per pupil rates being applied to the different sectors of education.

The new formula is mainly driven by pupil numbers so, whilst schools are protected by a minimum funding guarantee per pupil, the implications are that schools with small or falling numbers on roll will see a reduction in the funding they received under the previous formula. It is anticipated that pupil numbers will rise as the Building Schools for the Future programme proceeds but there will be an interim period of a few years where funding will be an ongoing problem for some secondary schools and action will need to be taken by them to address these issues. The DfE reviewed the implementation of the new funding regime and made some changes to the national formula for 2014/15. In addition the Council also identified some areas which needed to be locally addressed for 2014/15 one of which was some limited protection for schools with falling rolls. The local formula for Telford & Wrekin was developed after consultation with all relevant stakeholders and was agreed by Cabinet on 14<sup>th</sup> November 2013.

Confirmation of the October pupil census results is still awaited but it is estimated that there will be an increase in pupil numbers pushing the total DSG figure up by around £0.5m.

Indicative DSG figures are now split into 3 blocks of funding as follows:

**Schools Block**, the majority of which is fully delegated to schools - £96.884m— this figure is calculated on the basis of £4367.31 per pupil.

**Early Years Block**, this funds education for 3 and 4 year olds in maintained nursery schools and classes as well as private, voluntary and independent nurseries - £6.891m. It is based on £4156.12 per pupil but is not a fixed total as it will be updated for actual pupil numbers throughout the year. In addition funding for 2 year olds is available for the Councils' statutory obligation to make provision for the education of about 40% of all 2 year olds from September 2014 – the funding allocation announced for 2014/15 is £2.982m based on 1,118 eligible 2 year olds, including £0.32m for trajectory funding. This is an overall increase in funding of £1.029m although the trajectory funding element has reduced by £0.23m

**High Needs Block**, this funds education for all those pupils in Maintained and Independent special schools, Pupil Referral Units and other alternative education provision - £15.060m. Unfortunately as the number of SEN places agreed for the Council will not be known until March this creates significant uncertainty on the value of this block and therefore Special schools funding and other areas supported by the High Needs Block. Further changes are planned by the DfE in 2015/16.

The DfE have made changes to the amount of Pupil Premium allocated to school sectors. In 2013/14 both secondary and primary schools received £900 per pupil. In 2014/15 this will change to £1,300 for primary pupils and £935 for secondary schools giving Telford and Wrekin schools an allocation of approximately £7.7m. As this is a mechanism to focus funding on disadvantaged children it tends to be largely attributable to schools with higher levels of deprived pupils.

The changes 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 2013/14 the Forum agreed to funding of £1.186m being retained and a further £0.255m of funding to be de-delegated. Initial discussions have been held with the Forum and further information is to be provided for decisions to be made in January 2014 – figures for 2014/15 being £1.129m and £0.217m respectively. If these figures are not agreed by the Forum then work will need to be undertaken in a short timescale to review the provision of the services concerned and any staffing impacts.

The DfE still intends to move to a national formula but it is still not clear whether this means at a school level rather than a local authority level.

The Government have recently announced a move to free school meals for Primary school children in Years 1, 2 and 3, to be implemented from September 2014. The DfE will be providing revenue funding of £450m. in 2014/15 and £635m to fund this commitment. It will also make £150m of capital available to ensure that schools can build new kitchens or increase dining capacity where necessary. As no further information has been made available it is unclear whether this money will be passported to schools by Local Authorities, or received directly by them.

The new Education Support Grant (ESG) was introduced in 2013/14, replacing the previous methodology relating to recoupment of Council funding in relation to academies. The Council's ESG reduces by £116 per pupil for each pupil in an academy – the anticipated loss of £0.25m in 2014/15 and the impact of £0.56m loss resulting from the national 20% reduction, in 2015/16, in ESG has been reflected in the Council's medium term budget strategy.

## **7. 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 4a details progress on equality impact actions.

## **8. 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 4b 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 4b). 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 2014/15 these reductions will largely be offset by the additional investments set out in this report.

## **9. COMMUNITY ENGAGEMENT AND COMMUNICATION**

Targeted consultation and engagement has taken place throughout the year, related to the proposals put forward in the 2013/14 budget report. For example, New Options – services for adults with learning disabilities delivered from September to December 2013. This consultation attracted 875 comments from service users, parents and carers and partner organisations. The consultation feedback will be used to help to finalise the new model of delivery of services. Engagement has also been ongoing during the autumn of 2013 to advise adult social care service users, carers and providers of the very difficult financial situation and its likely impact on services.

Specific proposals in the 2014/15 budget report will be subject to consultation and engagement, for example the youth offer and transport review.

As in previous years, communicating and engaging with the community on our future plans will be a key part of the budget process. We will be asking for views on whether the Council should accept the Council Tax freeze grant or raise Council Tax by 1.9% in line with 2012/13 budget strategy as well as for views on the proposed investment package.

Our approach is to begin consultation on 6 January 2014. Our communication and engagement plan includes (further details are included in Appendix 11):

- A consultation pull out document 'the budget challenge' summarising the main budget proposals and including a 'cut out' consultation question to be returned freepost distributed to homes in the Borough;
- 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 public meeting event open to all residents on 29 January 2014.
- Visits to present the budget strategy at a number of organisations and forums including The Town & Parish Council Forum, the Senior Citizens Forum and the Young People's Forum.

## 10. NEXT STEPS & TIMETABLE

The consultation period will run through to 4th February 2014 in order that careful consideration can be given to the views expressed by the Council's Cabinet when preparing their final report and recommendations to full Council.

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

The Cabinet will make their final recommendations to full Council at their meeting scheduled for 20<sup>th</sup> February 2014. Full Council will consider the recommendations from Cabinet and Scrutiny / Opposition Groups on 27<sup>th</sup> February 2014 when final decisions will be made and the budget and council tax for 2014/15 determined.

## 11. BACKGROUND PAPERS

- Comprehensive Spending Review and 2015 Spending Round Announcements – Treasury Website
- Autumn Statement – Treasury Website
- LGA Briefing on the Autumn Statement
- Revenue Support Grant Settlement Announcement – CLG Website
- Service & Financial Planning Report to Council – 7<sup>th</sup> March 2013
- Service & Financial Planning Update report to Cabinet – 14<sup>th</sup> November 2013
- Association of North East Council's "Key Resource Issues for North East Local Government" report.
- "Mandate for Change", issued by Stoke-on-Trent City Council November 2012.

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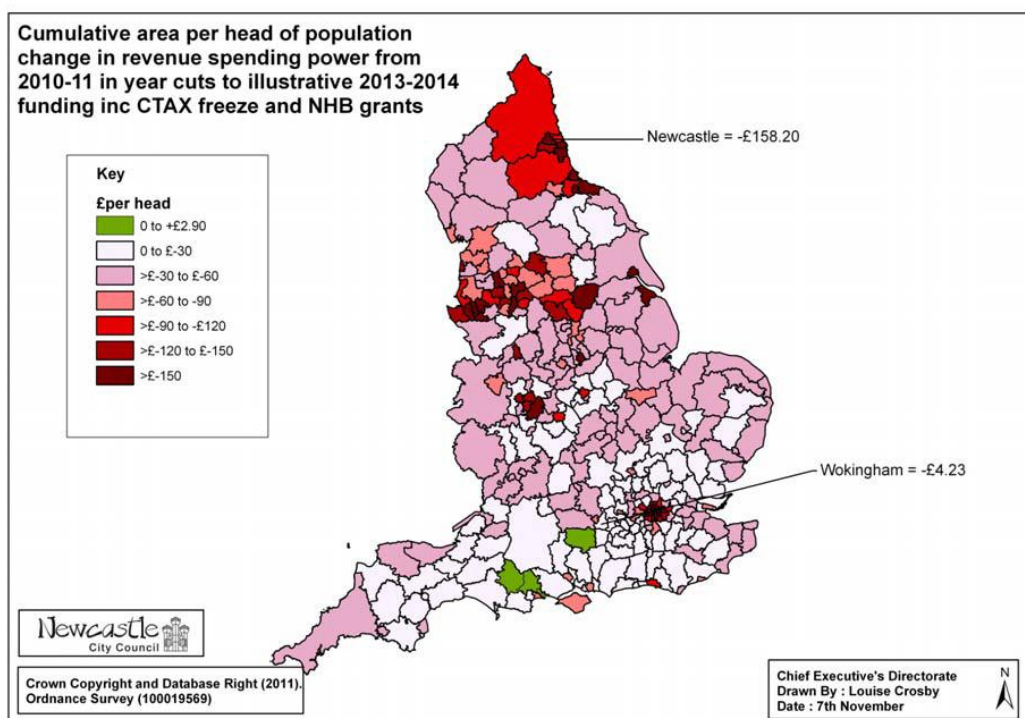
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## Appendix 1.

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



#### Notes:-

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

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

Telford & Wrekin is in 245<sup>th</sup> place out of 324 council areas in England (i.e. worst quartile). Our neighbouring local authority areas of Shropshire and Stafford are in 175<sup>th</sup> and 198<sup>th</sup> place respectively.

