

## TELFORD & WREKIN COUNCIL

### Budget Proposals 2014/15

#### REPORT OF MAIN OPPOSITION GROUP

## 1. OVERVIEW

The Opposition key budget strategy proposals for 2014/15 include:-

**Freezing Council Tax for the next two years** - Following unsuccessful attempts to persuade the Current Administration to freeze Council Tax for residents in the Borough over the past two years, we welcome the change in policy to freeze Council Tax during 2014/15 and again in 2015/16. This measure recognises the severe pressure placed on many local people by the nation's financial situation and retains additional disposable income in the local economy.

**Protecting Adult Social Care** – The current Administration's proposals include a reduction in adult social care budgets of £6.0m by 2014/15 rising to £7.65m by 2015/16. In addition, a further £2.85m will need to be saved to address ongoing overspends against the current budget giving a total savings target of £10.5m. put forward by the Administration. We propose additional funds of £2.3m to cushion the impact of the worst reductions in Adult Care and Support services.

**Investment in highways** – Following many successive years of under investment we propose to invest £7.1m per year in highways for 5 years in order to clear the backlog of highways works in the Borough and return the highways to a high standard desired by residents and business.

We recognise that the Current Administration's proposals to commit £2m from the Council's Capital Programme per year for highways over a 3 year period is much less than what is required to offset day to day wear and tear and that their proposed programme will result in even further deterioration in the Borough's road system. (Although we accept that the Administration's Pride in Your Community proposals would make around £2.5m additional funding available pa over the next two years).

**Investing in Safeguarding Children from harm and neglect** – We support the 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.

**Review of Remuneration packages** – We propose a review of employee terms and conditions to generate ongoing annual savings of £1.8m pa. Areas for consideration in this review would include sick pay entitlements, potential reduction to all salary grades of up to 2.25% and a reduction in entitlements to car user allowances.

**Partnering with other authorities** – We believe that significant savings can be achieved over time by partnering with adjacent authorities and have provided a list of potential areas which may be suitable. Part Year savings of £125K are included as a part of this proposal.

**Spending Review** - We have identified a number of non-essential posts and spending that can be undertaken in other ways or deleted from the council budget.

**Parking Charges** – We propose to cancel the proposed increase to parking charges

**CSO / Environmental** – We propose to cancel the proposed cuts to Community Support Wardens and Environmental budget items

**Contingency** – We have included a contingency figure of £475K, to cover slower than envisaged implementation of our proposals or any additional one-off implementation costs.

## 2. SUMMARY

The current Administration's proposals include a reduction in adult social care budgets of £6.0m by 2014/15 rising to £7.65m by 2015/16. In addition, a further £2.85m will need to be saved to address ongoing overspends against the current budget giving a total savings target of £10.5m. put forward by the Administration

Our proposals seek to cushion the impact of the Adult Social Care cuts by making £2.3m of other savings available during 2014/15 to alleviate the worst of these proposals and to use the MRP fund reserve (see below) to cover the cost of financing the Highways capital spend to cover the remedial work programme.

A revenue saving has been identified of £4.89m as part of a change to accounting for interest and capital repayments on the Councils Borrowing. (Known as MRP) The current Administration has proposed to place this 'windfall' in a reserve to fund their unspecified Pride in the community scheme. **It should be noted that this change to accounting does not involve any cash savings over the life of a loan, and increases the level of future interest payments to balance the savings in the earlier years.**

Highways' spending is a key concern of residents, though only £2m per year has been committed from the Councils Capital resources to this area by the current Administration as part of the council's long term highways capital program. (Although we recognise that the Administration's Pride in Your Community proposals would increase this amount by around £2.5m for the next two years). This compares poorly to the £7.1m per annum needed to clear the backlog of Highways remedial works.

## **Adult Social Care**

This is a particularly challenging area for the council as it involves some of the most vulnerable and needy members of our community

The focus of the current Administration is to realise these savings over a two year period by:-

- Re-commissioning and negotiating down provider costs (c. £3.3m)
- Lobbying Telford & Wrekin CCG for £2.0m of funding due following their transfer of Continuing Health Care (CHC) Cases to the Council.
- Efficiencies, service re-design, reviewing block care contracts, more effective enablement, and review and maximisation of income (c.£3.4m)
- 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.£1.4m)
- 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).

**We propose to make £2.3m additional funding available to help protect Adult Care Services from the worst of these cuts. Detailed proposals on the use of this funding would be developed should this budget be approved.**

**Furthermore, successful lobbying of CCG to achieve fair ongoing funding (over and above the £4.4m assumed) for the Borough would reduce cuts to front line services during 2014/15.**

## **Highways**

Our proposals include an investment in highways of £7.1m per annum, this is based on advice and recommendations from officers as to what incremental spending levels, above and beyond that contained within the current administration's budget, are required to bring our highways back to up to an acceptable standard.

The current Administrations budget contains £2m per year for 3 years (Although we recognise that the Administration's Pride in Your Community proposals would increase this amount by around £2.5m for the next two years) and nothing allocated for years 4 or 5 as financial planning is limited to a 3 year period only. Our proposal takes a 5 year view of highways condition



<b>Funding</b>						
<b>DfT Grant</b>	3,400	3,400	3,400	3,400	3,400	17,000
<b>Existing capital programme</b>	2,000	2,000	2,000			6,000
Pride	2,500	2,500				5,000
<b>Additional Capital Funding required</b>	2,600	2,600	5,100	7,100	7,100	24,500

**At current investment levels, including any potential PIC capital monies, highways spend is still £24.5m short of what is required to clear the highways backlog.**

**This table has been provided by highways officers based on their understanding of the “Pride” proposal**

Council Officers have provided the following overview of the highways backlog as follows:

**Highways Backlog** - The figures provided are an estimate of the costs of addressing the highways maintenance backlog and are based upon two options; the first option with an annual additional investment of £4.1m pa will address the backlog by ‘asset sweating.’ This seeks to gain as much value from the asset (highway) as possible but is only a short term solution to extending the asset life until further infrastructure improvements are required. This will be done by maximising the surface dressing programme to extend the carriageway life.

The second option with an estimated additional annual investment of £7.1m pa will allow for an improvement to the condition of the network, remove the existing backlog and address many of the current issues highlighted by residents, businesses and Councillors, including addressing maintenance issues on the ‘unclassified’ roads within the borough.

A capital investment at this level would bring the highway network up to an acceptable standard and reduce the pressure on future years capital programme. An ongoing maintenance programme would be required to maintain the highway at this standard and to address pressures from growth in the network.

Some marginal savings in the annual reactive maintenance budgets for highways would be expected; however these savings would need to be offset against the increase in revenue borrowing costs as a result of the investment. Five years has been used as a planning and modelling assumption, but programmes could be adapted to other timeframes

**Putting aside the PIC program the administration is proposing a level of highways spend below that needed to cover wear and tear of highways**

## **Youth Unemployment**

More than one in four young people in the Borough are out of work, putting T&W 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. We support this initiative to invest £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.

## **Partnering with other authorities**

We envisage partnership working with other neighbouring authorities, as has been achieved elsewhere across the country. We would welcome a close working arrangement with the Unitary Shropshire Council, which is our nearest neighbour where significant savings could be realised due to close proximity, shared borders and many similar issues. However, when considering joint working, and after careful consideration, any proposal to formally merge has been ruled out due to reasons of community identity and significant differences in make up.

There are a number of areas of the council that can be usefully shared to achieve costs savings. A comprehensive list has been passed to officers but examples include

- Payroll
- Internal Audit
- Finance Team
- Legal
- Treasury Management
- Senior Officer team / Directors
- Architectural services
- Highway maintenance for example shared use of equipment such as pot-hole busters

Officers are confident that £125K can be saved in 2014/15 with an annual saving potential of £250K per annum achievable thereafter. This strategy has been successfully pursued by other authorities although some implications may arise. We anticipate that a more comprehensive review of the areas proposed could lead to far higher levels of usable savings. We also recognise the potential for conflicts of interest to arise from sharing senior officers and propose that back office functions be evaluated initially.

## **Review of staff Terms and Conditions**

Given the difficult financial position of the authority, we would review the terms and conditions of staff with a view to streamline the benefits available.

The following areas have been identified for review out of which we would seek to generate additional annual ongoing savings of £1.8m pa with an assumption of £0.8m being available during 2014/15.

- Apply a reduction to all pay grades of up to 2.25% saving up to £1.5m pa in a full year (after allowing for any impact of known changes to NMW)
- Sick Pay – the council offers 6 months of full sick pay and 6 months of half pay for employees with more than 5 years of service. - Potential Savings: £500K in 2014/15 and £1.5m in a full year if we only paid Statutory Sick Pay.
- Essential Car users allowance. – Potential Savings: £300K

We would seek to renegotiate contracts with staff and have only shown a part year saving for 2014/15 due to introduction timescales.

We recognise that a change like this would entail a number of costs which would be charged to the restructuring reserve. Where possible we would seek to achieve this through negotiation and discussion with staff.

A number of Officers currently receiving an Essential Car Users Allowance would be able to claim recompense through the council's standard millage allowance scheme.

## **Single Status Accrual and Employers NIC**

Tax consulting firms who specialised in Single Status advise that other authorities who have settled single status have come to arrangement with HMRC over employer's national insurance. Rather than going into detailed calculations and listing NI numbers etc- they simply agreed a % with HMRC and paid it. The typical % being around 5.5% compared to the current employers rate of NIC of 11.8%

We suggest a similar approach is taken reducing the accrual rate for Employers national insurance retrospectively which dependent on the eventual terms of settlement of the Council's equal pay project may offer scope for some one-off saving..

There may additionally be an opportunity to fill vacancies with Apprentice roles, reducing the ongoing cost to the authority whilst further benefiting youth employment opportunities within the Borough. The Administration are assuming 150 specific apprentice roles and these would be additional opportunities for Apprentices over and above that number.

## **Other savings**

A list is included with Appendix A. We have identified a number of roles and functions that can be undertaken by other team members and our proposals include the removal of

- Direct Financial Support for Trades Unions
- Indirect Union support via free accommodation
- Reductions to membership subscriptions
- Reductions to conference attendance

Union membership and participation is welcomed; however it is considered iniquitous that tax payers in Telford & Wrekin should be paying for Union representation for Council Officers, facilities which should be paid for by employees themselves. In many instances Council Officers also live outside of the Borough.

## **Contingency**

We have included a £475K contingency to cover non-deliverability or delays in delivery of some of the savings

Any associated one-off implementation costs e.g. data migration costs and system changes where services are to be shared would be charged to reserves.

Ongoing Savings. Our proposals include ongoing savings of £1.8m in respect of the Review of Remuneration, we consider that there are a number of different approaches which could achieve that, individually or using a different combination of approaches.

Higher savings may be achieved via Partnering with Other Authorities

Greater use of Apprentices within the authority could make savings and at the same time promote youth employment.

## **Access to data**

Inaccessibility, for the main Opposition Group, to Officer Saving's proposals prior to the publication of the Administration's budget has made the identification of alternative savings more problematic than would otherwise have been the case. In our experience other savings are likely to be available however, given the timescales available, we have used information readily available to us.

We support the Administration's proposal to bring forward savings proposals from future years where they are possible and practical to achieve within existing resources. Savings delivered early can be used to create one-off

resources to fund 'Invest to Save' initiatives, support and preserve 'key' front line services and build capacity to review services and support the development of more cost effective methods of future service delivery.

It may for example be possible to limit the extent of reductions to the staff sick pay scheme, reduction in pay grades or the removal of essential user car allowances by indentifying alternative savings such as more extensive partnering with other authorities.

### **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. This Council, like most other administrations before it, 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.

### **3. COUNCIL TAX**

Council Tax, under the last Administration, reached historic low levels and, prior to the local elections of 2011, Telford & Wrekin had the lowest Unitary Council tax in the entire Midlands and was the fifth lowest unitary in England.

Over the past two years the current Administration have reintroduced Council Tax increases and in so doing have taken in excess of £2m from the pockets of the local community to the detriment of the local economy.

Although we consider it to have arrived two years too late, we welcome the policy u-turn from last years budget strategy and the introduction of a Council Tax freeze in line with our neighbouring Unitary Authority in Shropshire,

The Government's decision to include council tax support grant within the RSG was predicted by Opposition Members but dismissed by the administration at the Council's Budget setting meeting in 2013.

### **Damping**

A factor that has reduced resources in this area is "grant damping" whereby part of the grant calculated by the Government for Telford & Wrekin 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.

#### **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.

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 the current administrations proposals appear to satisfy the conditions in the guidance.

**We do however remind members that this is not a windfall or one off gain, but a re-phasing of interest from earlier budget years to later ones, and that future councils and budgets, and hence tax payers, will need to support the higher interest charges that will feature as a result of this change.**

We do accept and concur with the concept of ‘net present value’ as the future value of money will be less than its current value due to inflation. This change is therefore acceptable given the economic circumstance and financial challenges facing the council.

However, given the different and difficult circumstances we now face, we fully support this change

**Our strategy is to invest the full benefit of this reserve into the restoration of the highways condition for 5 years as this long term benefit appears to be the most appropriate use of future tax payer’s monies.**

**We do not agree with using future tax payers money to fund cosmetic, short term, or unsustainable measures limited to narrow segments of the community as appears to be embedded within the PIC proposal of the current administration.**

**Report prepared by:-**

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