

TELFORD & WREKIN COUNCIL

**CABINET – 20 FEBRUARY 2014
COUNCIL – 27 FEBRUARY 2014**

**SERVICE AND FINANCIAL PLANNING 2014/15 TO 2015/16 OVERVIEW
AND REVENUE BUDGET REPORT**

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

LEAD CABINET MEMBER: CLLR BILL McCLEMENTS

1. INTRODUCTION.

This report seeks approval of the Service & Financial Planning strategy for the two year period 2014/15 to 2015/16 with specific budget proposals for 2014/15. This overview report, along with other linked reports on the agenda covering:-

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

form the Council's overall Medium Term Service & Financial Planning framework and proposes the service priorities and budget for 2014/15 as well as savings proposals that will be delivered over the next two years and a medium term capital programme.

The Council published its draft budget proposals for 2014/15 on 3rd January 2014 and they were approved at Cabinet on 9th January 2014. A one month consultation period commenced after publication of the Council's service and financial planning proposals. The results of the consultation exercise are included in this report but the results are summarised below in section 4 below.

2. SUMMARY.

Following the consultation process, the Cabinet has confirmed its key budget strategy proposals for 2014/15 as:-

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 and the significant level of support for this proposal (Overall 62.3% of the 2,179 people responding to this question supported this proposal).

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. Generation of this “growth dividend” is essential if we are to do all that we can to protect services for our most vulnerable older people and children. The Council will be able to limit the impact of cuts in these areas as a direct result of the additional income expected to be derived from the growth agenda and from our effective management of our land and buildings enabling us to sell surplus assets in order to generate funds to reduce debt levels and the annual cost of debt repayments.

Minimising cuts to priority services - Following unprecedented cuts in our grants from Government, 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, particularly services for vulnerable adults and children as far as possible. However, 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 currently receive from council tax (£49.6m). The cuts equate to a reduction 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 scale of cuts we face, we have tried to protect services for Adults as far as possible. Since 2012/13 whilst savings of around £6.57m have been made in this area, this has been very largely offset by budget increases totalling just over £6.3m reflecting the growth in demand for these services. This relative protection of Adult Care and Support budgets has been set against the huge cuts made in the grants the Council receives from Government and has resulted in additional savings being made in other services.

As stated above, the level of cuts to key front-line services, particularly for vulnerable children and adults, will be reduced as a direct result of the income generated from growth in the borough and from selling surplus assets. We are also seeking to generate additional income through the provision of Council services to other organisations and are investigating the returns that we could achieve from commercial investments including a solar farm and the building of 600 properties for rent. Income generated from commercial initiatives will be earmarked to fund essential front line services and reduce the scale of cuts, particularly for vulnerable older people and children, that would otherwise be required as a result of the withdrawal of government grants from the Council.

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 Facilities for Disabled people – The Council has 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.

Investing in Our Communities - Expected early delivery of the necessary ongoing savings means that we can make some one-off investments. We will establish 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 the 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 – The Council is committing to a programme of £2m pa to maintain our road network for the next 3 years over and above the funding allocated by Government for this purpose – a total investment over this period from the Council’s resources of £6m. The Cabinet would expect this level of investment to continue into the future but our normal capital programme time horizon covers three forward years and future decisions will depend on the financial position of the Council at the time.

Tackling Youth Unemployment – Unemployment of 16 – 24 year olds is currently at 33.7% above both regional (24.3%) and national (20.9%) rates. 4,400 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 improve this position by delivering 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.

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.

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

The provisional Local Government Finance settlement was announced on 18th December and the final settlement for 2014/15 was announced on 5th February 2014. As part of this final settlement announcement, the referendum threshold for council tax increases was confirmed by the Government at 2%. The net impact of the changes in the final funding settlement resulted in a gain of £0.01m for the Council. This will be transferred to the inflation provision to help meet the costs of a likely increase in insurance premia that we have been advised to expect since the initial report was prepared for consultation.

Constructive discussions have been held with the CCG on the implementation of the Better Care Fund (BCF). These discussions have included consideration of the funding of CHCs and agreement has been reached on a package of measures which will include the Council working jointly with the CCG to support them in delivering savings. For 2014/15 the CCG have confirmed funding of £2.73m will be made available to the Council to support existing care commitments which when combined with the increase in the “Lansley” funding (also included within the BCF) available for 2014/15 of £0.65m will provide a £1m increase compared to the recurring £2.4m funding available in 2013/14. In addition, the CCG and Council have agreed to work jointly throughout 2014/15 and 2015/16 to deliver further savings with agreement that part of the net benefit generated will also be transferred to the Council to help meet the costs of the additional support to be provided in the community and to also provide some additional funding to help meet existing Council care costs.

4. SUMMARY OF CONSULTATION AND ENGAGEMENT ACTIVITY AND FEEDBACK

As in previous years, communicating and engaging with the community on our future plans was a key part of the budget process. This year we asked for people’s views on whether the Council should accept the council tax freeze

grant or raise council tax by 1.9% in line with 2013/14 budget strategy. We also asked people whether they agreed or disagreed with the proposed three main investments; supporting young people to get a job, supporting businesses to create jobs in the borough and improving roads and the environment.

In total 4,186 contacts were involved with this consultation programme. A full consultation findings report can be found at Appendix 5.

We began to communicate and engage with local people immediately after the publication of the draft budget strategy on 6 January 2014. Our communication and engagement plan included (further details are included in Appendix 12):-

- A consultation pull out document 'jobs, growth and council tax freeze' summarising the main budget proposals and including a 'cut out' consultation questionnaire 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.
- An online budget survey on the budget page of the Council website – www.telford.gov.uk/budget
- A survey of the Community Panel;
- Meetings with a range of groups and organisations including the Parish Forum;
- Out and about sessions in public places and High Streets;
- An open public meeting;
- A Celebrating Co-operative & Partnership Working event in Telford Town Centre;
- Ongoing press releases;
- A meeting with the Employee Joint Information and Consultation Forum (JICF);
- Formal consultation with the Budget & Finance Scrutiny Committee.

An open public meeting was held on 29 January 2014 at The Place @ Oakengates Theatre at 6pm. The event was promoted in the press and Your Voice and a number of posters and flyers were distributed across the Borough. The open public meeting was a mix of a presentation outlining the budget plans and an opportunity for those in attendance to visit a number of information stands and speak with the Leader of the Council, Cabinet Members, the Managing Director, Directors, Assistant Directors and Senior Officers. Total number in attendance = 46 local people.

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

- Telford and Wrekin Parish Forum = 22 in attendance
- Joint Information and Consultation Forum (JICF) = 7 in attendance
- Senior Citizens Forum = 201 in attendance

- Telford Business Board = 17 in attendance
- Taking Part Forum = 31 in attendance
- Parents Opening Doors – PODS = 8 in attendance
- Young People's Forum = 13 in attendance

Total numbers in attendance = 299

A number of other forums and groups were approached to receive a budget presentation. Where they were unable to host the Council they distributed the information to their member's and encouraged their member's to attend the public meeting.

The Community Participation Team went out and about in public places and High Streets. Consultation took place with residents in the following areas:

- Community Centres
- Hadley Learning Centre
- Carpenter Centre Overdale
- Park Lane Centre
- Telford Town Centre Bus Station
- The Place
- Dawley
- Donnington
- Madeley
- Newport
- Oakengates
- Wellington

With regard to our budget survey a total of 2,179 completed the questionnaire.

- 527 of people responded to the Community Panel survey.
- 876 of people responded to the online budget survey.
- 776 of people responded by using the tear out slip including sending back the 'cut out' questionnaire in Your Voice.

Opportunities for people to get involved and give their views on the budget strategy via Facebook, Twitter, write in, ring in or text attracted a total of 109 comments.

The Celebrating Co-operative & Partnership Working event in Telford Town Centre helped to promote how the Council and its partners are working to support local residents, communities and businesses and are contributing to improving the quality of life in the Borough. It was an opportunity to talk with local residents about key initiatives. In total we engaged with 96 residents around budget issues, at the event.

Targeted consultation and engagement has taken place throughout the year, related to the proposals put forward in the 2013/14 budget report. Engagement has 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.

Consultation feedback is used to help to shape changes needed. Consultation includes:

- 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.
- Supporting people – health and support to keep people living independently. During September 2013, service users were asked to feedback on the new proposed model of delivering the service. This consultation attracted 582 comments from service users.

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

The consultation period ran through to 4 February 2013 in order that careful consideration could be given to the views expressed by the Council's Cabinet when preparing their final report and recommendations to full Council.

Summary of the consultation findings

Following notification of the Council's 2014/15 grant from government, the Council developed a proposed 2014/15 budget building on the medium-term service and financial strategy developed in 2012.

The 2014/15 budget continues the organisation's focus on attracting new jobs and investment and promoting growth in the borough, which provides jobs and increased prosperity for local people and generates income from additional council tax and business rates etc. that can be used to help us in our mission to protect, as far as we are able to, priority front-line services, particularly for our most vulnerable older people and children. We are working co-operatively with our residents and partners to deliver this agenda.

This year we asked for people's views on whether the Council should accept the council tax freeze grant following the Government's change in approach to base-lining the grant or raise council tax by 1.9% in line with 2013/14 budget strategy. We also asked people whether they agreed or disagreed with the proposed three main investments; supporting young people to get a job, supporting businesses to create jobs in the borough and improving roads and the environment.

In total 4,186 contacts were involved with this consultation programme. A full consultation findings report can be found at Appendix 5.

When asked about the next two years of council tax:

- **62.3% preferred the Council to freeze council tax until 2016**

- 54.2% of Community Panel respondents
 - 61.8% of public respondents to the online budget consultation survey
 - 68.8% of public respondents to the paper tear out budget consultation survey
- **33.9% preferred the Council to increase council tax by 1.9% until 2016**
 - 41.4% of Community Panel respondents
 - 35.5% of public respondents to the online budget consultation survey
 - 26.5% of public respondents to the paper tear out budget consultation survey
- **3.8% didn't know:**
 - 4.4% of Community Panel respondents
 - 2.8% of public respondents to the online budget consultation survey
 - 4.7% of public respondents to the paper tear out budget consultation survey

The Council's plans to invest in supporting businesses to create jobs in the borough were supported by 86.0% of all respondents:

- 91.1% of Community Panel respondents
- 80.4% of public respondents to the online budget consultation survey
- 89.1% of public respondents to the paper tear out budget consultation survey

The Council's plans to invest in supporting young people to get a job were supported by 85.9% of all respondents:

- 92.1% of Community Panel respondents
- 81.0% of public respondents to the online budget consultation survey
- 87.2% of public respondents to the paper tear out budget consultation survey

The Council's plans to invest in improving roads and the environment were supported by 84.4% of all respondents:

- 91.9% of Community Panel respondents
- 78.4% of public respondents to the online budget consultation survey
- 86.1% of public respondents to the paper tear out budget consultation survey

The Budget & Finance Scrutiny Committee have met on 4 occasions since the Cabinet published their draft service and financial planning proposals. The

comments from the Scrutiny Committee are included as Appendix 6 to this report.

5. **OVERVIEW**

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.

After delivering £52.9m of ongoing annual revenue savings over the last 5 years, and in the context of having to find a further £22m of annual reductions in spend over the coming two years to meet the further Government grant cuts, we cannot avoid now making some cuts that will have some impact on front-line services but will seek to minimise the front line impact as far as possible. Adult Care services account for 36% of the Council's net budget and it is unavoidable that savings now need to be made in this area. The Council has worked hard to protect Adult Social Care budgets and since 2012/13 whilst savings of around £6.57m have been made in this area, this has been very largely offset by budget increases totalling just over £6.3m reflecting the growth in demand for these services. This protection of Adult Care and Support budgets has been set against the huge cuts made in the grants the Council receives from Government and has resulted in additional savings being made in other services. However, 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 £10.5m will have to be found from Care & Support budgets by 2015/16.

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. £3.3m)**
- **Efficiencies, service re-design, reviewing block care contracts, more effective enablement (helping those with poor physical or mental health to learn or re-learn the skills needed for daily living), 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).

Constructive discussions have been held with the CCG on the implementation of the Better Care Fund (BCF). These discussions have included consideration of the funding of CHCs and agreement has been reached on a package of measures which will include the Council working jointly with the CCG to support them in delivering savings. For 2014/15 the CCG have confirmed funding of £2.73m will be made available to the Council to support existing care commitments which when combined with the increase in the "Lansley" funding (also included within the BCF) available for 2014/15 of £0.65m will provide a £1m increase compared to the recurring £2.4m funding available in 2013/14. In addition, the CCG and Council have agreed to work jointly throughout 2014/15 and 2015/16 to deliver further savings with agreement that part of the net benefit generated will also be transferred to the Council to help meet the costs of the additional support to be provided in the community and to also provide some additional funding to help meet existing Council care costs. We will continue to do everything in our power to reduce the impact of the spending reductions on front line services although some impact will be unavoidable given the scale of the unprecedented and sustained cuts the Government.

Despite the severe financial challenges we face, our mission is clear:-

- **We are attracting new jobs and investment,**
- **Promoting growth in the borough, which provides jobs and increased prosperity for local people,**
- **Generating income from newly built properties including Council Tax, New Homes Bonus and business rates.**
- **Using this additional income to help us to protect, as far as we are able to, priority front-line services - particularly for our most vulnerable older people and children.**
- **We are working co-operatively with our residents and partners to deliver this agenda.**

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.

Following extensive consultation and engagement with the community, this report now sets out the proposed service and financial planning strategy for the period 2014/15 to 2015/16 with specific budget proposals for 2014/15. Early delivery against savings targets enables the Council to make some one-off revenue investments. We will also make a new £8m capital investment in the "Pride in your Community" initiative, 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 10.4).

Youth Unemployment - More than one in three 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 responsibility 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. with an expectation that investment will continue in to the years beyond the current service and financial planning time horizon at around this level.
- £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 detailed in the capital Programme report also on this agenda 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 until the local government finance system is “reset” in 2019/20. 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, 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 229th 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 7 compares council tax levels across the Midlands area and Appendix 8 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 14th 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 18th 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 14th 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 position over the next two year period can be summarised as follows:-

Projected Budget Gap	2014/15 £m	2015/16 £m
Base Budget gap	11.428	22.263
Savings proposals (net of provision for "leakage" from general fund and savings needed to cover service pressures – see Appendix 3)	-14.133	-19.738
Saving from revised approach to calculation of Minimum Revenue Provision	-1.489	-1.232
Revenue investment over two years, in "Pride In Your Community" initiative *	1.608	
Revenue Investment over two years in Initiatives to tackle youth unemployment *	1.305	
Revenue investment increasing care Leavers Grant per scrutiny recommendation	0.030	0.030
Additional "Draw-down" budget for Safeguarding	1.200	
Destination Telford initiative	0.100	
Projected net Budget shortfall	0.049	1.323
Contribution from Provision to fund debt charges on the proposed "Pride In Your Community" initiative	-0.049	-0.245
Restated shortfall before use of general	0	1.078

balances or identification of further savings		
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* 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.

6. ROBUSTNESS OF THE BUDGET STRATEGY

The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to give a view on the robustness of the Council's financial strategy including the use of balances and of the financial planning process. Appendix 11 gives a more detailed view, but overall the conclusion is that given the planned programme of savings and the successful track record of having already delivered £52.9m of savings over the last 5 years strategy, it is considered that the Council is pursuing a sound financial strategy in the context of the most difficult financial position it has ever faced.

The Government's change in approach to the duration of council tax freeze grants i.e. base-lining them so that they will be ongoing rather than time limited, is a fundamental difference which means that given the Council's growth strategy, accepting future freeze grants is now a sustainable option.

7. RECOMMENDATIONS.

Members are asked to approve the following recommendations for consideration by Council on 27th February 2014:-

1. To approve the base budget summarised by Service Delivery Unit in Appendix 9a
2. To consider the feedback from consultation summarised in Appendix 5 and from scrutiny in Appendix 6
3. The freezing of council tax levels in 2014/15 and 2015/16.
4. The creation of a one-off £1.2m drawdown budget held centrally available to Childrens' safeguarding in 2014/15 to offset anticipated pressures in the safeguarding budget.

5. The approval of the 2014/15 net savings package of £14.133m detailed in Appendix 3 and the savings proposals set out in the appendix for future years.
6. The change in the methodology of calculating Minimum Revenue Provision set out in Section 10.4 of this report and the backdating of this change in approach to create a one-off provision which will be used to fund the debt charges associated with the Pride in Your Community initiative.
7. The revenue investment of £1.608m over two years for the Pride in Your Community initiative,
8. The revenue investment of £1.305m over 2 years for a programme of initiatives to tackle youth unemployment,
9. The revenue investment of £0.1m one-off funding for Destination Telford initiatives,
10. The revenue investment of £0.03m ongoing to fund a doubling of the care leavers' grant.
11. The policy framework for Reserves and Balances outlined in Appendix 11
12. The revenue implications of the medium term capital programme for the period 2013/14 - 2016/17 set out in the Capital Programme report also on this agenda.
13. Note the Impact Assessments contained in Appendices 4a – 4c.
14. Approve the Safeguarding and Early Help Cost Improvement Plan contained in Appendix 2
15. Agree that, as detailed in section 10.5 of the report, any final underspend at the end of 2013/14 will be used to supplement the Invest to Save, Capacity and Severance Funds to support the delivery of future ongoing savings.

16. The creation of provisions during 2014/15 to fund the second year of the “Pride in Your Community” and Youth Unemployment initiatives. (Given that the whole of the two year programme will be funded from the early delivery of savings in 2014/15, the provisions will be created during 2014/15 from the funding that is not required until 2015/16).

Recommendations approved by Cabinet will be considered at full Council on 27th February 2014 as full Council is responsible for setting the overall revenue and capital budget framework. At this meeting full Council will also set the Council Tax for 2014/15.

8. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific priorities?	
	Yes	<i>The service and financial planning strategy is integral to ensuring that available resources are used as effectively as possible in delivering all corporate priority outcomes.</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>The proposals contained in this report will have both positive and negative impacts on specific groups of people including people with disabilities, and older and younger people. An impact assessment, on identified savings proposals, highlights equalities, environmental and economic impacts which is included as Appendix 4. Due to the complexity of the budget setting process with a large array of proposals for savings there is potential for a number of small changes to have a large cumulative effect, impacts and mitigations are detailed in Appendix 4.</i>
TARGET COMPLETION/DELIVERY	<i>A series of borough wide public consultation activities have been undertaken during January</i>	

DATE	<i>and early February. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered by full Council on 27th February 2014. The final agreed recommendations will be implemented during 2014/15 and future years</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<i>This report sets out the service and financial planning strategy for the council for 2014/15 and the medium term.</i>
LEGAL ISSUES	Yes	<i>This report develops the proposals for the Council's budget and policy framework and have been consulted upon in accordance with the Constitutional budget and policy framework procedure rules and related Council decisions that will, in due course result in the Council setting its budget and council tax levels by the March deadline laid down by the Government</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<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. 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 4c provides information on the environmental impacts of the budget proposals. The economic impacts of</i></p>

		<i>the proposals are also detailed in Appendix 4c and are broadly neutral in 2014/15 given that the reduction in spending by the Council is largely offset by the investments in the Pride on Your Community, tackling youth unemployment, safeguarding and the other revenue and capital investments included in this report.</i>
IMPACT ON SPECIFIC WARDS	Yes/No	<i>Borough-wide impact.</i>

9. CONTEXT AND UPDATE

9.1 Government Announcements.

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 January/February 2015. Unless Government policy changes after the General Election it appears very likely that the Council faces many more years of substantial cash cuts to the grants that we receive (and no allowance for the increased demand that we are facing for many services, increasing population or for inflationary pressures). Therefore it is important that the Council takes advantage of the incentives that Government are offering to councils that support growth in their areas as this will bring additional income from retained business rates, additional council tax and New Homes Bonus which can be used to limit the impact of cuts to essential front line services including those provided to our most vulnerable older people and children – at least until the local government finance system is “reset” in 2019/20.

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 18th December, as part of the provisional Local Government Finance Settlement, the Secretary of State announced that this was subject to review and may be reduced). It was also 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. Importantly, the Minister confirmed that these freeze grants, unlike those announced previously, would be base-lined i.e. they would be ongoing funding which means that acceptance of the freeze grant offer becomes a much more financially sustainable option for councils.

Further details relating to the Spending Round 2013, the Autumn Statement and the provisional Local Government Finance Settlement were included in the service and financial planning report considered by Cabinet on the 9th January 2014.

9.2 Final Local Government Finance Settlement 2014/15.

The provisional Local Government Finance settlement was announced on 18th December and the final settlement for 2014/15 was announced on 5th February 2014. As part of this final settlement announcement, the referendum threshold for council tax increases was confirmed by the Government at 2%. The net impact of the changes in the final funding settlement resulted in a gain of £0.01m for the Council. This will be

transferred to the inflation provision to help meet the costs of a likely increase in insurance premia that we have been advised to expect since the initial report was prepared for consultation.

9.3 Other changes since 9th January 2014.

Other changes since Cabinet considered the draft Service and Financial Planning strategy on 9th January 2014 include:-

Constructive discussions have been held with the CCG on the implementation of the Better Care Fund (BCF). These discussions have included consideration of the funding of CHCs and agreement has been reached on a package of measures which will include the Council working jointly with the CCG to support them in delivering savings. For 2014/15 the CCG have confirmed funding of £2.73m will be made available to the Council to support existing care commitments which when combined with the increase in the "Lansley" funding (also included within the BCF) available for 2014/15 of £0.65m will provide a £1m increase compared to the recurring £2.4m funding available in 2013/14. In addition, the CCG and Council have agreed to work jointly throughout 2014/15 and 2015/16 to deliver further savings with agreement that part of the net benefit generated will also be transferred to the Council to help meet the costs of the additional support to be provided in the community and to also provide some additional funding to help meet existing Council care costs.

We have been notified by our insurance brokers that the cost of insurance premia is likely to increase above inflation. However, we are still in discussion with our insurers so the financial implications cannot be assessed at this time. If the cost is greater than the budget, together with the available funding held within the contractual insurance provision, a variation will be reported through the financial monitoring process in 2014/15.

9.4 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 such as increasing demand for many services. Savings delivered by year are detailed below:-

	£m
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)
Total	52.915

This is equal to around a £750 cut in Council services on average 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 (a specialist play provision for vulnerable young children 0 to 5) 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.

9.5 Adult Care & Support

Care & Support services for adults in the borough account for over a third of the Council's budget. In developing our proposals for further savings for the next two years to meet the further Government grant cuts, we cannot avoid now making some cuts that will have some impact on front-line services but will seek to minimise the front line impact as far as possible. The Council has worked hard to protect Adult Social Care budgets and since 2012/13 whilst savings of around £6.57m have been made in this area, this has been very largely offset by budget increases totalling just over £6.3m reflecting the growth in demand for these services. This protection of Adult Care and Support budgets has been set against the huge cuts made in the grants the Council receives from Government and has resulted in additional savings being made in other services. 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.

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. £3.3m)**
- **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).**

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. However, we will do everything in our power to

reduce the impact of the spending reductions on front line services although some impact is inevitable given the scale of the unprecedented and sustained cuts the Government are making to our grants.

9.6 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 a “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 had to be submitted by 15th 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 18th December, for Telford & Wrekin the additional funding is £0.65m. The use of this funding will be subject to the same approval procedures as the BCF.

9.7 Childrens’ Safeguarding

As highlighted in the January 2014 service and Financial Planning report, 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.

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.

In response to the scrutiny recommendation, the Cabinet proposed a £1.2m Draw-down budget should be made available to the safeguarding service in 2014/15 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. The position will be 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. Following the consultation process the £1.2m draw-down budget is now recommended to Council.

10. OUR STRATEGY

10.1 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. This investment is over and above the funding allocation that we receive from Government in respect of roads.

- 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 9.7

- 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) **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.

- f) £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.

- g) 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.

10.2 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 1,800 tonnes of CO2 and generate enough electricity to power more than 800 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. Income generated from commercial initiatives will be earmarked to fund essential front line services and reduce the scale of cuts, particularly for vulnerable older people and children, that would otherwise be required as a result of the withdrawal of government grants from the Council.

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 undertaken a consultation exercise and are currently developing final proposals.
- 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.

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 has also actively lobbied the CCG to fund a fair share of the costs of looking after our elderly.

10.3 COUNCIL TAX

Council Tax in Telford & Wrekin has historically been low compared to other councils. Appendix 7 is a graph comparing council tax levels across the Midlands region and demonstrates that council tax in this area is the fourth

lowest in the Midlands region at Band D (£1147.49) and is only 3% higher than Birmingham which is lowest (£1113.67). Appendix 8 compares our council tax to the other unitary authorities in England and shows that we have the 12th 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.

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 14th 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 18th 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.

Given the high level of support during our consultation process for our proposal to accept the council tax freeze grants for the coming two years given the Government’s change in approach in base-lining them, the

recommendation to full Council is to accept the council tax freeze grants for the coming two years.

10.4 REVIEW OF APPROACH TO DEBT REPAYMENT

The report to Cabinet on 9th January 2014 proposed a change in the approach used to calculate principal repayments on outstanding debt from an equal instalment of principal to an annuity method. This received cross party support, support from the Audit Committee and support from scrutiny and will therefore be implemented. This change in approach will bring significant financial benefits to the Council over the short to medium term at a time when the Council is facing significant financial pressures.

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

	£m
2013/14	4.884
2014/15	1.489
2015/16	1.232
2016/17	1.084
2017/18	0.921

Total benefit over 5 year period £9.61m

Further savings will then accrue over later years although the level of savings going forward will gradually reduce before the payments become higher in cash terms than they would otherwise have been, 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 and can be taken in to account well in advance when developing service and financial planning strategies in the relevant years.

10.5 BASE BUDGET, BALANCES AND CONTINGENCIES

A summary of the Base Budget position is included at 9a which shows a net base budget of £136.485m for 2014/15 giving a base budget funding gap of £11.428m. Appendix 9b analyses the main changes in moving from the 2013/14 budget to the 2014/15 base budget.

Appendix 10 summarises the overall balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This shows around £3.7m 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 but any final underspend will be used to supplement the Invest to Save, Capacity and Severance Funds to support the delivery of future ongoing savings.

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 contract 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.

10.6 MEDIUM TERM GENERAL FUND STRATEGY

Projected Budget Gap	2014/15 £m	2015/16 £m
Base Budget gap	11.428	22.263
Savings proposals (net of provision for “leakage” from general fund and savings needed to cover service pressures – see Appendix 3)	-14.133	-19.738
Saving from revised approach to calculation of Minimum Revenue Provision	-1.489	-1.232
Revenue investment over two years, in “Pride In Your Community” initiative *	1.608	
Revenue Investment over two years in Initiatives to tackle youth unemployment *	1.305	
Revenue investment increasing care Leavers Grant per scrutiny recommendation	0.030	0.030
Additional “Draw-down” budget for Safeguarding	1.200	
Destination Telford initiative	0.100	
Projected net Budget shortfall	0.049	1.323
Contribution from Provision to fund debt charges on the proposed “Pride In Your Community” initiative	-0.049	-0.245
Restated shortfall before use of general balances or identification of further savings	0	1.078

* 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.

11. EDUCATION FUNDING.

Compared to Local Authorities' funding, schools funding has been comparatively protected. However, with the overall Dedicated Schools Grant (DSG) per pupil amount being cash frozen as it will continue to be over this spending review period, 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 14th November 2013.

The October pupil census showed an increase of 132 in pupil numbers overall, pushing the total DSG figure up by over £0.5m.

DSG is now split into 3 blocks of funding as follows:

Schools Block, the majority of which is fully delegated to schools - £96.963m– 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 - £7.161m. 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 and includes post 16 provision. The indicative allocation for 2014/15 is £15.643m but the final allocation will only be confirmed by the DfE in March. Unfortunately 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. At the January 2014 meeting of the Forum, the Forum agreed central retention for all the funds requested, £1.129m. However, only £0.07m of the £0.217m requested via de-delegation was agreed, although further discussions are continuing with the secondary sector about possible collective agreements for some of the services. As a result work will need to be undertaken in a short timescale to review the provision of the services concerned and any staffing impacts. Part of the reduction in funding will not directly impact upon the Council as £0.054m of the de-delegations that were not approved related to union facility time

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 funding to enable schools to offer a free lunch to every primary school child in reception classes, year 1 and year 2 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. Telford & Wrekin's share of this capital funding is £0.495m. The Government have recently announced how revenue funding for this policy will be allocated in 2014-15. It will be allocated to schools at a flat rate of £2.30 per meal taken, based on actual take-up by newly eligible infant pupils which will be measured in the Schools Census from next year. In addition, they recognise that some smaller schools will face particular challenges and will be providing transitional funding totalling £22.5million in 2014-15 for small schools, which will be provided before the start of the new academic year. The DfE will make further information available on this shortly. A government amendment to the Children and Families Bill, laid in the House of Lords recently, legislates the

provision of free school meals to all children in reception and years 1 and 2 beyond the original end date of July 2016. The new legislation removes the scheme's cut-off point, and also includes a new power that will allow schools to extend the offer to older children in the future.

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.

12. EQUALITY IMPACT ASSESSMENT

Equality Impact Analysis 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.

The overall budget strategy has broadly been considered in relation to the General Equality Duty. The principles and approaches adopted within the strategy provide a framework for the current and future proposals. It also considers the cumulative aspects of saving proposals for example, the suite of Adult Social Care savings will have an impact on older and disabled people that is potentially greater for an individual affected by multiple proposals.

The impact analysis has identified a number of positive and potential negative impacts related to the overall budget strategy and identifies examples of mitigation. It also includes information about ongoing monitoring and review.

The impact analysis for the Service & Financial Planning Report 2014/15 to 2015/16 is detailed in Appendix 4.

In relation to individual proposals, 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 4b details progress of equality impact actions for individual proposals.

13. 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 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 4c 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 4c). 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.

14. NEXT STEPS

Once the service and financial planning strategy for 2014/15 has been approved by full Council on 27th February 2014 and the council tax resolutions have been decided, it will be imperative that considerable resource is devoted to rigorous financial management and monitoring by all managers and budget holders. A culture change programme led by the Director: Development, Business & Customer Services to be launched with the Senior Management Team and all Service Delivery Managers on 25th March 2014 will ensure that all managers understand their responsibilities to effectively and proactively manage their business rather than simply receiving financial monitoring information on a periodic basis from finance staff. This change programme will ensure that managers are given the tools that they need in

order to effectively fulfil this core management competency and manage their business.

The Council faces many financial challenges over and above the obvious and very significant reductions in Government grant and has limited contingencies and balances available. There are many risks and uncertainties inherent in the new financial system that was imposed by the Government during 2013/14. At the time of drafting this report key information relating to the year-end accounting treatment of outstanding business rates appeals is still not available from Government. However, the new local government finance system presents many opportunities that this Council is ideally placed to be able to grasp given the amount of developable land within the Borough.

As well as exercising tight financial control and effective financial monitoring, managers and Cabinet Members will need to turn attention to the 2015/16 and later years medium term financial strategy early in 2014/15 in order to identify further savings and opportunities for additional income to bridge the projected remaining shortfalls of £1.1m in 2015/16 and an additional £10m pa thereafter through to 2019/20 unless Government policy changes.

15. ROBUSTNESS OF THE FINANCIAL STRATEGY AND LEVELS OF RESERVES & BALANCES.

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

Appendix 11 gives a more detailed view, but overall the conclusion is that given the planned programme of savings which has been under way for some time and has demonstrated an excellent track record of delivery with £52.9m savings expected to have been delivered over the 5 year period to March 2014, it is considered that the Council is pursuing a sound financial strategy in the context of the most difficult financial position it has ever faced.

The Government's change in approach to the duration of council tax freeze grants i.e. base-lining them so that they will be ongoing rather than time limited, is a fundamental difference which means that given the Council's growth strategy, accepting future freeze grants is now a sustainable option.

16. BACKGROUND PAPERS

- Comprehensive Spending Review Announcements – Treasury Website
- Autumn Statement – Treasury Website
- Spending Round 2013 Announcements – Treasury Website
- LGA Briefing on the Autumn Statement

- Revenue Support Grant Provisional Settlement Announcement – CLG Website
- Revenue Support Grant Final Settlement Announcement – CLG Website
- Service & Financial Planning Report to Council – 7th March 2013
- Service & Financial Planning Update report to Cabinet – 14th November 2013
- Service & Financial Planning Report to Cabinet – 9th January 2014
- 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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