TELFORD & WREKIN COUNCIL

CABINET – 7 JANUARY 2016

SERVICE AND FINANCIAL PLANNING 2016/17 TO 2017/18

REPORT OF THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER

LEAD CABINET MEMBERS: Cllrs K. SAHOTA and L. CARTER

1. OVERVIEW.

When the Coalition Government was formed in May 2010 they committed to eliminating the national budget deficit. The Government protected many other areas of public spending but not local government. Councils have faced very significant reductions and this is set to continue for the duration of this Parliament as the Government have now committed to protecting even more areas of public expenditure so councils will continue to be hit very hard. The cuts made by the Government to date have not been allocated in a uniform way across the country with areas with greater levels of deprivation tending to be hit harder than more prosperous parts of the country. This is demonstrated in the Heatmap included at Appendix 1.

By the end of this year, this council will have made savings of over £80m pa, meaning that every year we now have £1,100 less to spend delivering services to each household in the Borough. The council has sought to do this in ways that are as compassionate as possible and have prioritised the protection of services to vulnerable adults and children in our community. The Council is committed to ensuring that we always meet the assessed needs of vulnerable people but this does not mean that we can continue to deliver the same services in the same ways. We have to make changes but will always place priority on these essential services.

The Council is also committed to investing in Telford's future. Ensuring that the Borough is an attractive place to live, work and visit is essential if we are to attract new businesses that will create jobs and bring prosperity to the area and the people that live here. The Council also benefits from retaining a share of any additional business rates which helps to minimise the cuts that we have to make to services. We have also sought to generate income from adopting a more commercial approach e.g. we were the second council nationally to open a solar farm and are currently investing in NuPlace a wholly owned company that will rent 400 good quality homes, mainly at market rents. Both of these schemes generate a profit after paying the loan used to fund the investment. The profit from these and other commercial projects can be used to help reduce the amount of cuts that we would otherwise have to make.

Having delivered £80m of cuts so far and having done everything that we can to protect front line services, it is inevitable in the light of the Government's announcement of further cuts that there will be significant consequences on the services that we deliver. The Council does not want to make the changes that we are now having to consult on and will actively work with partner organisations wherever possible to try and seek other solutions to minimise the impacts wherever possible but **in the light of a further cut of 20.81% to our Revenue Support Grant from Government next year we can no longer afford to continue to do everything that we currently do.**

We know that many of the savings proposals in this report will have consequences for local people but we have to take a responsible approach and set a balanced budget which ensures that we can continue to deliver the most essential services on a sustainable basis in future. We have a long track record of sound financial management, despite the extreme challenges that we have faced as a result of the Government's unprecedented and protracted cuts to our funding. This prudent approach has enabled us to identify some one-off resources in the current year which we will use to support the delivery of the ongoing savings that we need. Part of this funding, from our Invest-to-save fund, could be available to partner organisations to support transitional arrangements for the delivery of some services that we can no longer afford to deliver in the future.

This report contains details of almost 200 savings proposals, many financial pressures that the Council faces but also a capital investment programme to continue our commitment to investment in the Borough's future. Much of this funding now comes from external sources as the Council has been very successful in bidding for external funding. Unfortunately, we cannot use this "capital" funding to support the Council's revenue budget which funds the "day to day" services that we provide.

The savings proposals which have the most significant impacts on service users will be the focus of our consultation process this year. We have undertaken initial impact assessments where possible and the most challenging savings have been scheduled for 2017/18 rather than next year in order to allow more detailed consultation to take place on those savings measures which are approved after this initial consultation phase. We would like as many people to get involved in the consultation exercise as possible and have a large number of visits to community groups, public meetings and roadshows planned across the Borough and will also use online and other methods of trying to encourage as many people as possible to give us their views on our proposals. This first phase of consultation will start on 8th January and continue through until 7th February 2016.

As well as extensive consultation with the public, the Council's cross party Finance & Enterprise Scrutiny Committee has a series of meetings scheduled to consider the proposals put forward by the Council's Cabinet in detail. Scrutiny will also consider any proposals that are put forward by Opposition groups.

The Government have made some significant methodology changes in the settlement for next year. They have also issued indicative figures for the following three years which will aid medium term planning. Many of these changes are welcomed by this Council and can be seen as a response to representations made by this Council and many others that have been hardest hit by the methods used to distribute the cuts across the country in recent years. However, the Council was disappointed that after 5 years of consistently offering a grant to councils that froze council tax no such grant will be available next year or in future years.

The Government's financial projections include assumptions that social care authorities will implement a new social care precept equivalent to a 2% council tax increase. This additional funding must be used specifically for adult social care and in line with Government assumptions, the Council is planning to implement this new precept. We also want to discuss with people through the consultation period what balance should be struck between what are now very difficult choices on service cuts and future council tax increases. We are therefore consulting on 3 options for council tax next year although our financial projections assume no additional income from a council tax increase next year or in later years – other than from the Government's new social care precept.

This report sets out some very difficult choices that Councillors have had to make. We are committed to effective and extensive consultation and want to hear what you think to what we hope is a fair budget in what are very difficult times.

The key budget strategy proposals for 2016/17 include the following commitments:-

A commitment to extensive consultation with the community and service users about the implications of our proposals and ways to mitigate adverse impacts arising from them. The Council's initial consultation phase on the overall budget package next year will commence on 8th January and will continue until 7th February 2016. Further, more detailed consultation than the deadline for setting the budget for 2016/17 allows will take place during 2016/17 on those proposals that have significant impacts on service users and the community. These proposals are shaded in Appendix 2. Any subsequent changes made to the total value of savings or their phasing would have to be accommodated by the identification of further savings proposals or the use of one-off resources.

A commitment to work with partner organisations to identify alternative options for the delivery of some services that we can no longer afford to provide.

Continuing to protect the most essential services for vulnerable children and adults as far as possible. Through a long track record of sound financial management, the Council has already delivered £80m. of savings and protected front line services as far as possible. Given the scale of the Government's cuts this is now increasingly difficult. However, we are committed to meeting the needs of vulnerable children and adults and have, and will continue to, make the cuts that we need in ways that protect vulnerable people as far as possible. **In 2016/17, despite the severe financial challenges that we face we are investing over £1.4m more ongoing funding into services that safeguard children and young people from harm and neglect. After implementing the Government's new "social care precept" we will increase the budget for adult services next year by £1.6m.**

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

Consulting on 3 options for Council Tax for 2016/17. Telford & Wrekin Council currently has the second lowest council tax in the Midlands for the services that this council provides. Our financial projections assume no increase in council tax for the services that this Council provides (the Police, Fire and Parish elements of the bill are not under our control). During the consultation period, we want to hear residents' views about what balance should be struck in future between moderate council tax increases, if any, and the service cuts that will be needed to make up for the continuing cuts in the grants that the Government pay to the Council.

A commitment to continue to pay Local Council Tax Support grant to Town & Parish Councils in line with the agreement we made in January 2013 until the Council's Revenue Support Grant is cut completely by the Government. For 2016/17 the amount available to allocate is £250k following the latest cut of 20.81% to our grant for next year.

It is thanks to our strong financial management and to our success in bidding for external funding (usually for specific capital projects e.g. to fund infrastructure rather than for the revenue or day to day running costs) that despite the unprecedented cuts in grants from Government, the Council can make a number of investments to support our priorities. These include:-

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

1. Investing over £25m in the Council's Property Investment Portfolio to improve and develop industrial, commercial or retail facilities. This will support new and existing businesses, creating and protecting jobs and generating increased business rates income. It will also generate profit which will be used to help protect front line services from some of the impact of Government cuts.

2. Spending just under £4,000,000 over two years to roll-out Superfast Broadband to parts of the borough where there is no broadband infrastructure and broadband suppliers are unlikely to invest in. By the end of 2017, this will see 98% of homes in the borough having superfast broadband coverage. This project is jointly funded between the Council, BT and the Government's Broadband Delivery programme.

Ensuring that neighbourhoods are safe, clean and well maintained

3. Maintaining and improving our highway and transport infrastructure is a critical priority for many local residents and the Council and also supports economic growth. To this end a total investment of over £50m is committed for transport and highways improvements over the medium term from 2016/17. These projects are funded by the specific capital funding that the Council has successfully bid for from the DfT, DCLG and from the Marches LEP as well as from Section 106 agreements that the Council has negotiated with developers and some funding from the Council's own capital resources.
4. Following the success of our Community Pride Fund in 2014/15, which was oversubscribed, a £1m. Community Pride Fund for 2017/18 is included in the budget proposals. Again, local organisations, communities and businesses will be able to bid for this funding.
5. A borough-wide environmental investment programme of £750,000 over 2015/16 and 2016/17 was announced last year. This is in addition to the two year £13.8m Pride in Your Community programme begun in 2014/15. The funding is helping to tackle key environmental issues that residents regularly raise and will continue investment in Parish Environmental Teams. These teams funded by Telford & Wrekin Council and the relevant town or parish council, carry out local environmental work in their area over and above work by Telford & Wrekin Council. There are currently nine Parish Environmental Action teams in the borough providing these enhanced environmental services to residents. Funding is now available to continue existing teams until the end of 2018/19.

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

6. Identification of funding to campaign for the protection of services at the Princess Royal Hospital.
7. We will improve the accessibility of our commissioned sexual health services with the development of a Town Centre hub.
8. We will further develop and increase the reach of our healthy lifestyle hub and health trainer service to provide holistic support for residents to improve their wellbeing.
9. Continuing to provide free swimming for under 16s.

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

10. An investment of over £50m in NuPlace, the Council's wholly owned housing company. NuPlace will develop around 400 homes for rent, mainly at market rents with the profit being used to protect front-line services from cuts.

Improving local people's prospects through education and skills training

11. We will continue and complete our medium term £187m. investment to improve school infrastructure through our Building Schools for the Future programme.

Protecting and supporting our vulnerable children and adults

12. Safeguarding vulnerable children and adults is our top Council priority. We continue to ensure that services have the financial resources to do this and are making available additional ongoing funding of £1.4m to which aims to put the Children's' safeguarding budget on a sustainable basis.
13. £2.5m one-off funding in both 2016/17 and 2017/18 specifically earmarked for Adult Social Care, to protect and support vulnerable adults and to help phase in the cuts that we are being forced to make. In total we will increase the budget for Adult Social Services by £1.6m next year as the allowance that we are making for additional cost pressures is greater than the savings we are assuming.
14. Food bank confirmed funding for another year of £30,000 that provides essential support for local families in financial crisis.
15. Initiatives for crisis support to help borough residents to avoid needing to turn to expensive pay day lenders and start saving regularly, totalling £130,000.
16. We will provide a grant of £232,000 pa for 3 years to Telford & Wrekin CAB and £17,000 for 2016/17 to Rights and Fairness Telford. In addition £50,000 will be available in 2016/17 and 2017/18 to provide funding to the voluntary sector to pump-prime projects.

2. SUMMARY

Since 2010, Telford & Wrekin Council has faced cuts in the grant we receive from Government. The scale of these cuts and the protracted period over which they continue to be made are unprecedented. The cuts in our grants are being made at a time when demand for many services, such as safeguarding children against harm or neglect have been increasing. These factors combine to place the Council, like most others, under extreme financial pressure.

However despite our severe financial constraints, Telford and Wrekin is a progressive Council with ambitions to improve the Borough and the lives of residents. We are tackling the impact of the Government's sustained grant cuts head on and finding new ways to deliver services and to generate income to help offset some of the grant cuts. We have a long track record of sound financial management and innovative solutions. **This report contains details of new approaches that we can adopt to reschedule debt repayments which, together with related changes that we have already implemented will secure revenue benefits totalling over £40m by 2019/20.**

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

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

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

- The Council is investing over £50m in NuPlace a wholly owned Council Company for the development of around 400 properties for private rent and over £25m in expanding the Property Investment Portfolio. These initiatives will boost businesses, create jobs and generate additional income for the Council to help reduce the impact of Government cuts.
- Our £250m Southwater scheme is now open, kick-started by Council investment this has created over 400 jobs, safeguarded a further 300 and created a vibrant heart to the town as well as a regional leisure attraction.
- The owners of The Town Centre Shopping Centre are progressing a £200m expansion programme set to create an estimated 2,000 jobs.

- We opened a new Town Centre library in the Southwater development.
- Nearly £200m is being invested in improving the infrastructure of our schools and community leisure facilities.
- We are making it easier for businesses to come here and grow, offering support to existing companies as well as attracting new firms and helping to create new jobs, supported by our new Growth Hub delivered in collaboration with businesses and the University of Wolverhampton.
- We have invested in land stability schemes along with the Government to protect the Ironbridge Gorge – the area's biggest tourist attraction and the West Midlands region's only World Heritage Site.
- Regeneration schemes completed or currently in progress in Hadley, Brookside, Oakengates, Hollinswood and St. Georges.

The proposed Capital Programme summarised in Appendix 5 totals over £240m.

Following the General Election in May 2015, the Government announced immediate in-year cuts to the Council's Public Health Grant. This unexpected additional cut, of over £770,000, forced further savings to be made by the Council including withdrawing the offer of free swimming for residents aged over 50.

On 25th November, the Government announced the results of its Comprehensive Spending Review which set out expectations for economic growth, inflation and tax receipts for the remainder of this Parliament. The Comprehensive Spending Review also set out the Government's spending priorities. As expected the Government reiterated its objective to eliminate its budget deficit and to run a budget surplus by the end of the Parliament. The Government has also continued to protect spending on the NHS, Education and Overseas Aid in real terms and has also now committed to protecting spending on defence as well as a number of other significant areas of public expenditure. There is little that the government can do to reduce the very significant cost of servicing the national debt and as so many other parts of public spending are now protected, unprotected areas such as Local Government will continue to face significant reductions for the remainder of this decade.

The provisional Local Government Finance Settlement was announced on 17th December 2015. **At the time of preparing this report, details of funding totalling over £13m in the current year have still not been released by the Government and a significant degree of uncertainty over our actual position for next year therefore remains. It is also possible that as this is a provisional settlement, the final figures may be better or worse than currently indicated.** As expected this settlement will force the Council to continue to make cuts on an unprecedented scale with a cut of 20.81% in our Revenue Support Grant next year alone. Whilst it is a provisional settlement with final figures due to be announced in late January or early February, there is little prospect of any significant improvement in the final overall position. Clearly other factors will also change within our own budget as the Council delivers hundreds of services which operate in a dynamic environment and the budget gap projections will therefore need to be updated prior to consideration of final proposals by Cabinet in February.

As expected, it is now very clear that the Council must make further cuts as it has a legal duty to set a “balanced budget”. Unfortunately after having already delivered over £80m of savings, the “easier” efficiency savings have already been made. Many of the proposals contained in this report will have significant impacts within the community. The Council is keen to do all that it can to work with partner organisations to try and find ways to mitigate the impacts of as many of these proposals as possible.

In order to help reduce the cuts to front line services and to minimise the impacts on essential services the Council is challenging existing working practices and is recommending a number of accounting adjustments that would result in the re-phasing of debt repayments. As well as significant revenue benefits over the period of this strategy and well beyond, these adjustments provide significant one-off unbudgeted benefits in the current financial year and will enable one-off funds to be set aside to support the delivery of future savings. This includes supplementing the Severance Fund and Invest to Save/Capacity Funds both of which will be used to support the one-off costs of delivering the ongoing savings that are needed over coming years and if not funded from the accounting adjustments would be further pressures on the revenue budget.

The Council is also seeking to reduce our dependency on Government grant by working in more commercial ways. The Capital Programme at Appendix 5 includes investments totalling over £75m in NuPlace, the Council’s wholly owned housing company and our Property Investment Portfolio. These investments will be funded by borrowing but the returns from the investments are projected to provide a positive ongoing revenue benefit over and above the loan repayments and the prospect of significant capital growth in asset values over the longer term. Clearly adopting a more commercial approach has a degree of risk as not all commercial ventures are likely to be successful but early indications of demand for NuPlace properties are very positive and the Property Investment Portfolio has been run successfully for many years. The Government’s low priority for local government compared to other parts of the public sector and it’s subsequent significant transfer of risks to the local government sector including the introduction of local council tax support rather than centrally funded council tax benefits and local retention of business rates at a time when it is also radically reducing the grant that it gives to councils clearly all combine to increase the level of financial risk faced by councils.

The report includes summary details of key points announced as part of the Comprehensive Spending Review and the provisional Local Government Finance settlement for 2016/17.

The base budget (i.e. before savings are deducted and pressures are included) is summarised in the table below.

Service Delivery Unit	**2016/17 GROSS EXPENDITURE £**	**2016/17 GROSS INCOME £**	**2016/17 NET EXPENDITURE £**
Public Health, Wellbeing & Public Protection	13,637,103	10,597,267	3,039,836
Law, Democracy & People Services	5,400,438	5,040,033	360,405
Neighbourhood & Leisure Services	45,250,839	15,091,970	30,158,869
Development, Business & Employment	24,830,032	22,932,740	1,897,292
Customer Services	34,022,344	27,625,460	6,396,884
Finance, Audit & Information Governance	5,420,598	5,420,598	0
Adult Social Services	53,099,534	16,190,243	36,909,291
Family, Cohesion & Commissioning	15,323,600	5,555,530	9,768,070
Childrens Safeguarding & Specialist Services	25,010,142	5,038,338	19,971,804
Education & Corporate Parenting	125,860,956	113,623,157	12,237,799
Co-operative Council	4,718,018	3,468,628	1,249,390
Council Wide Items	14,961,290	7,699,304	7,261,986
Netting off of Internal Recharges included above	(29,572,603)	(29,572,603)	0
Total Base Budget	**337,962,291**	**208,710,665**	**129,251,626**

The overall service and financial planning strategy for 2016/17 is summarised in the table below:-

Projected Budget Gap	**2016/17 £m**
Base Budget gap	10.462
Less 2% social care precept	(1.078)
Sub-Total	9.384
Add Pressures – For details please see Appendix 2c but including:- • Additional net ongoing funding aiming to put the children's' safeguarding budget on a sustainable basis of £1.4m • Adult services £5.5m	8.253
Savings proposals (net of provision for "leakage" from general fund) - see Appendix 2	(18.123)
Projected net Budget surplus before consultation on savings – any final net contribution will be used to meet the remaining shortfall in 2017/18	**(0.486)**

Please note that:-

- Debt charges on the proposed capital investments outlined in this report have been included in this service and financial planning strategy where appropriate.
- **No additional income from council tax increases over and above the 2% social care precept is assumed in 2016/17**

The proposals in this report will be subject to an extensive range of engagement and consultation activities with the community which are detailed in Appendix 11 and will also be subject to scrutiny by the cross party Finance & Enterprise Scrutiny Committee. Final recommendations will be considered at Cabinet on 25th February 2016 with final decisions taken at full Council on 3rd March 2016.

3. RECOMMENDATIONS.

1. **Members are asked to agree the service and financial planning strategy set out in this report for consultation with the community between 8th January 2016 and 7th February 2016.**
2. **In order to support the delivery of further ongoing savings Members are asked to approve the transfer of £3m from the projected 2015/16 underspend, which largely arises from debt rescheduling as set out in Section 12 and Appendix 13 of this report, to the Invest to Save/Capacity Fund and the transfer of £3m to the Severance Fund.**

4. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific priorities?	
	Yes	*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.*
	Will the proposals impact on specific groups of people?	
	Yes	*The proposals contained in this report will impact on specific groups of people. An Impact assessment, on identified savings proposals, highlights equalities, environmental and economic impacts which are included as Appendices 3 and 4. Due to the complexity of the budget setting process with a large array of proposals for savings there is potential for a number of small changes to have a large cumulative effect. We will conduct a full impact assessment of all of the budget proposals, to be considered by Cabinet on the 25th February 2016.*
TARGET COMPLETION/DELIVERY DATE	*A series of borough wide public consultation activities will be undertaken during January. The proposals contained in the report will also be subject to Member scrutiny during this period. Final proposals will be considered by Cabinet on 25th February 2016 who will make recommendations to full Council on 3rd March*	

	2016. The final agreed recommendations will be implemented during 2016/17 and future years.	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	*This report sets out the service and financial planning strategy for the council for 2016/17 and the medium term.*
LEGAL ISSUES	Yes	*This report develops the proposals for the Council's budget and policy framework which will be consulted upon in accordance with the Policy Framework & Budget Procedure Rules contained in the Constitution. In accordance with the relevant provisions of the Local Government Finance Act 1992 and the Local Government Act 2003 the Council has to set a balanced budget before the 11 March 2016 and has to have regard to the advice provided by the s.151 officer on the robustness of the budget and the adequacy of reserves supporting the budget before doing so.*
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	*This report sets out the strategy framework which includes consideration of corporate risks – particularly in relation to the availability of balances.* *Environmental assessment is a procedure that ensures that the environmental implications of Council 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 reducing their environmental impact. The environmental assessment detailed in Appendix 4 provides information on the environmental impacts of the budget*

		proposals. Overall, on balance the environmental assessment of the budget proposals is positive. *The economic impacts of the proposals are also detailed in Appendix 4 and are broadly neutral in 2016/17 given the reduction in spending by the Council, much of which will reduce economic activity within the Borough although this is broadly offset by the continuation of initiatives funded from one-off resources and the capital and revenue investments outlined in the report.*
IMPACT ON SPECIFIC WARDS	Yes/No	*Borough-wide impact.*

5. <u>OUR ORGANISATIONAL FOCUS</u>

Telford & Wrekin Council is clear about its focus for the next 4 years. Through our Co-operative approach, we will continue to work to meet the needs of the local community and businesses within the resources we have. Because of the cuts to the grant we receive from Government, this will mean that we have to develop new delivery models and target our resources at those individuals, families and communities in greatest need. Equally, we will not be able to continue to deliver all of the services which we currently do. In this context, our priorities are set out below to make a positive difference to the Borough.

"Put our children and young people first"

Over the past 4 years we have made significant progress in "putting children and young people first". Central to this has been the implementation of "**Family Connect"** – a single, multi-agency front door for children, young people and families. This has meant that we have enhanced information sharing for safeguarding multi-agency child enquiries. Supporting this we have developed a single, common case management system across children services. The development of this way of working will continue as it is critical to ensuring that children and families receive the **"right help at the right time".**

We are continuing our "**Strengthening Families"** programme to support families with significant challenges and stop more intensive and expensive interventions. With ever tightening resources across the public sector, partnership working becomes evermore important. Through the multi-agency Telford & Wrekin Children's Safeguarding Board, we will continue to protect children and young people, for example addressing child abuse.

The Council has also invested in creating new modern learning environments as part of the “Building Schools for the Future” programme.

“Protect and create jobs as a ‘Business Supporting, Business Winning Council’”

A strong local economy is essential to increasing the prosperity of the Borough. We want a thriving, growing economy. Since 2011, the Council has worked successfully to attract and support inward investment into the Borough and to support the retention and growth of our existing businesses. The economy has grown 1.5 times faster than the national economy. We have supported businesses to secure over £1.5m of funding and grants, unlocking projects worth a potential £4m and creating or safeguarding almost 400 jobs.

Building on this success we have designated the whole Borough an Enterprise Area with incentives for business expansion and investment across all economic sectors. Under **Enterprise Telford** we offer a more competitive “investment offer” tailored to individual business requirements than our competitor locations.

We have also opened the Telford Business Growth Hub in partnership with the University of Wolverhampton, Telford Business Board and the Marches LEP – a one stop shop providing business and skills support to local businesses. We have now launched our “Enterprise Telford” approach to maintain momentum and our unique offer to business.

As well as creating jobs and driving prosperity in the Borough, this has brought additional revenue to the Council through business rates which has supported our budget for front line services.

“Improve local people’s prospects through education and skills training”

To ensure that all residents can access the benefits of our growing economy, we need to make sure that they have the right skills to meet the needs of local employers.

Young people in Telford were badly impacted by the recession with youth unemployment rising rapidly to almost double the national rate. In response the Council launched a series of pledges to tackle youth unemployment within the borough backed by a £1.3m funding package spread over two years and supplemented by a further £0.5m to extend the programme. Through this we launched “Job Box” to bring together a range of initiatives aimed at tackling unemployment. 6 Job Box Mentors were appointed to work on a one to one basis with unemployed 19-24 year olds and to date have supported 206 into employment, education or voluntary work. Some 9,000 people have attended 4 Jobs and Skills Fairs since the programme was started including a hugely successful **“Jobs Fair”** in March 2014. The Council has created over 150 apprenticeship posts.

This has had a significant impact, with the rate of youth unemployment falling by 27% over the year June 2013 to June 2014. By July 2015, youth unemployment at 13.6% was below both the national and regional rate.

Supporting people into work, whatever their age, remains a key priority for the Council. To deliver this, our focus is on working better, working smarter with Job Centre Plus and local training providers, to make the most effective use of these resources – both to support people finding work but also to ensure that the skills needs of local employers are met. Our **"Life Ready, Work Ready"** initiative is focused on ensuring that all young people when they enter the labour market are work ready and in possession of basic employability and life skills.

Educational attainment in the Borough has improved significantly over the past 17 years since responsibility for education services passed to the Council in 1998. Standards in our primary schools are now in line with national averages. Overall, whilst secondary performance has seen improvement closing to the national average, in the past 2 year there has though, been a reduction in the number of pupils achieving 5 A*-C grades. Whilst 86% of schools in the Borough are classified as good or outstanding by OFSTED, we will support and challenge those schools, secondary schools in particular, which need to improve.

"Protect and support our most vulnerable children and adults"

Two thirds (65%) of the authority's budget is spent on supporting and protecting children and adults. The financial challenges which we face have meant that we have already started to look at different delivery models and to ensure that these services are delivered as effectively as possible to have a positive impact on the lives of people who need support. Ways in which we have done this include:

- Delivered more timely placement of children for adoption.
- Increased the number of foster carers from within the Borough to reduce agency and out of Borough placements.
- Ensured a sharp focus on supporting parents to care for children, especially teenagers, and returning children in care back home where it is deemed to be safe.
- Development of **"MyLife"**- a web based resource to provide information and advice for residents needing social care support.
- Development and launch of the **"Personal Assistants Register"** to help residents access the right home support.
- Development and sign off of an "**Information & Advice Charter"** with the voluntary sector.

As our resources reduce, however, we will need to ever more focus our resources on those in greatest need. Equally, we want to do everything we can to prevent children and adults requiring the most intensive support and interventions. Core to this will be working hard to support people to be able to continue to live in their homes, in their local neighbourhoods – this means working better, more effectively with families, community groups and local organisations to provide appropriate support to enable this to happen.

We have made a start adopting a new approach to working with adult social service users, details set out in **Right Help, Right Time to Promote Independence,** published in 2015. Promoting independence now sits at the heart of adult social care. We have established a structured and fair system which works to make the very best use of the limited resources that we have. We will promote health and wellbeing through the effective development of universal services ensuring that we have “something for everyone”

We recognise that people want to remain in their own home for as long as possible and we will continue to co-ordinate support around individuals to this end. We have effective systems in place to support carers and will continue to support carers to care for family and friends for as long as they wish to.

We are working with the CCG to support safe and effective discharge from hospitals and avoid inappropriate admissions. This does however pose significant risk to the local authority as the NHS system continues to be under significant pressure.

Early signs show that this approach is working, we now need to consider how we integrate locality based services for children, young people and adults.

If we are to successfully reduce the present dependency on public services we must build resilient communities which can help to improve health, and reduce inequalities. We must mobilise assets within communities, promoting equity and increasing peoples control over their own health and lives by:

- Strengthening communities
- Promoting volunteering and peer roles
- Establishing collaborations and partnerships
- Signposting access to community resources

“Ensure that neighbourhoods are safe, clean and well maintained”

Having neighbourhoods which are safe, clean and well maintained is an essential part of making the Borough a great place to live and to attract inward investment.

Over the past 2 years we have invested £9m in our **“Pride in Community”** programme to improve the quality of the environment in neighbourhoods and retendering the household recycling service – saving £25m over the lifetime of the contract and already seeing a 6% increase in recycling rates. We have also seen local people take on responsibility to improve their neighbourhood with the recruitment of 152 volunteer snow wardens and 156 street champions.

We will continue to maximise the effectiveness and efficiency of the neighbourhood services we provide through contract renegotiation or retendering. However, the reality is with shrinking resources, this will either mean alternative delivery models through working with the community, community groups and Parish & Town Councils or a reduction in service.

"Support neighbourhoods most in need and work to ensure that local people have access to suitable housing"

Across the Borough, there are currently 15 neighbourhoods ranked among the 10% most deprived nationally – areas with deprivation which are comparable to the most deprived inner-city estates. Over the past 4 years, the Council has invested in the physical regeneration of local and district centres including: Hollinswood, Madeley, Leegomery, Malinslee, Hadley, Brookside and Oakengates Centre. Moving forward, we will place greater focus on the social regeneration of our neighbourhoods most in need.

Whilst we look to ensure that Council services are joined-together to achieve this, our approach will be community-led, we will better engage with local residents and community groups to understand their challenges and to develop new ways in which they can be empowered to overcome the challenges in their neighbourhoods.

Whilst the housing stock of the Borough continues to grow (we expect to deliver 1,000 new homes in 2015/16), we want to ensure that all residents can live in good housing. The Council has worked hard through 2015/16 to tackle empty properties through a support package and loan facility in place. To support the ever growing demand for private rented accommodation, we have established and launched a Landlord Accreditation Scheme to support and set minimum standards for private landlords within the Borough and launched **"Telford Home finders"** a web based lettings agency for accredited landlords. For our most vulnerable, we have significantly reduced dependency on bed and breakfast for temporary housing accommodation.

We have established "**NuPlace"** a private company building new homes for private rent – with many of the first phase (c. 130 homes) already pre-let with individuals and families due to start moving in from spring 2016. This will continue our goal to improve quality housing choices for local residents, support the regeneration of a number of neighbourhoods, and create income for the Council to support the delivery of front-line services.

"Improve the health and wellbeing of our communities and address health inequalities"

Good health and wellbeing is crucial because it allows people to maximise their potential and enjoy a fulfilling life. A positive sense of wellbeing is vital for a prosperous and flourishing Telford & Wrekin.

Although there have been some improvements in the health of the population, there remain real health inequalities in the Borough – that is people in the most deprived parts of the Borough live fewer years than people in the least deprived parts.

To address these challenges, we want to support people to make informed lifestyle decisions a key part of our **“prevention agenda**”. Our in-house healthy lifestyle hub and in-house health trainer service are increasing the reach of these services to engage and support a wide range of customers. We have invested in improved leisure facilities across the Borough to encourage the adoption of positive, healthy lifestyles, including the refurbishment of Newport pool, Aspiration’s fitness suites in all leisure centres and the opening of Oakengates tennis centre and Pheonix and Abraham Darby leisure Centres.

We are leading the way in developing peer led approaches to developing a recovery orientated model of support for those on their journey recovering from dugs and alcohol addiction.

We are developing council-wide approaches to promoting Five Ways to Wellbeing as one means of developing resilient communities. We will continue to build our whole Council approach to this priority. Through **“Making Every Contact Count”**, every Council officer has a potential opportunity to engage with residents to support them to make healthy lifestyle choices. Partnership working is essential to supporting the delivery of this priority too, for example, with Shropshire Fire & Rescue Service, who are adopting the principles of Making Every Contact Count through their home safety fire visits.

Based on our priorities, our key work-streams to manage and maximise value from our resources are set out below. Even with these work-streams, there remains a gap in our budget. A core goal of this strategy is to set out how this gap will be closed.

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

Our Service and Financial Planning Strategy is underpinned and informed by our Co-operative Council ethos. This means that we are working together, with the community and partners, to collectively deliver the best we can for Telford & Wrekin with the combined resources we have. We are working to:

- Bring more public services together so that people get what they need at the right place and the right time;
- Involve local people and our employees more in planning and running services; and
- Support our communities better and encourage local people and organisations to do more to help their communities.

Central to this are our Co-operative values which are at the heart of all that we say and do as an organisation:

- **Openness and Honesty -** be open and honest in the way we work and make decisions and communicate in a clear, simple and timely way
- **Ownership** - be accountable for our own actions and empower others with the skills to help themselves
- **Fairness and Respect -** respond to people's needs in a fair and consistent way
- **Involvement** - work together with our communities, involving people in decisions that affect their lives and be prepared to listen and take on new ideas

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

6.1 Focussing on Solving Problems and promoting Social Responsibility and action to manage and reduce demand for services

- "**Demand Management**" - ensure that resources are targeted at those residents most in need of help. This is about understanding why people use our services and keeping them out of high cost systems.
- **"Prevention"** – avoid problems which place demand on public services by encouraging people to help themselves to prevent needs developing in the first place. This is relevant to the majority of our population and has a lifelong all age focus.
- **"Early Help & the Right Help"** – when individuals and families do need help and support, we want to identify them quickly and identify the right, effective support first time to avoid issues escalating and requiring more intensive and expensive intervention but also to avoid long-term dependency on our services. Through a whole Council approach, we will improve the customer journey to provide a better seamless journey for clients.
- **"Think Family – Strengthening Families"** – to target our resources at those families most in need of support by taking holistic approach through a key worker model to "turning around" these families. This is a partner-wide agenda and is being led by the Local Strategic Partnership (LSP) and is linked with Enterprise Telford through which we aim to deliver more jobs to promote economic independence.
- **"Working in Communities"** – to reduce demand by targeting our resources at areas in the greatest need of support and working more effectively with the resources which are already in place in our communities. Strong communities place the least demand on public services.

- **"Building Community Capacity"** – the need to harness the resources of the community, community groups and Town And Parish Councils, in helping to improve outcomes for our residents – this is core to our Co-operative approach, the Council doesn't have a monopoly on the resources or solutions to resolving challenges in our communities:
    - **Community self-help** – building people's social support networks by making best use of the resources and assets which are available in a local area – this helps people remain in and be an active part of their local community
    - **Effective co-production –** supporting the development of service provision by communities and moving away from a narrow focus of meeting needs through practitioner provided services.

6.2 Challenging & Changing, Reviewing and Reimagining the way we do things

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

- **Redesigning services and business process reengineering** to ensure that they are delivered in the most efficient and effective manner.
- **Redesigning and managing our front-door** to enable users to get the right service at the right time. Examples include "First Point for Business" and "Family Connect".
- **Challenging Policies** – e.g. for calculation of Minimum Revenue Provision (changing debt repayment from equal instalments of principal to an annuity basis with revenue benefits of **over £40m by 2019/20)**.
- **Working with the private sector** – including the Telford Business Board and major local employers, the management of the Telford Town Centre shopping centre, house-builders and our Universities 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.

Building on this progress, moving forward there are some major ways that we will change as an organisation:

- "**Channel Shift**" by providing services and information in the most efficient way. For example, providing clear and robust information on the Council's website will mean that residents can "self-serve" and not need to contact the Council in other less efficient, more expensive ways such as by telephone or face to face. Other examples include the use of smart phone “apps” such as our Everyday Telford App which allows people to report neighbourhood issues directly to the Council.

- **“Improving Business Intelligence”** – we are a data rich organisation, but all services need to be better at turning this data into intelligence to understand who is using our services and the outcomes they receive. We have made significant strides in the past 10 months understanding better who are using Council services - but as we continue to change the organisation we need to understand the impact of these changes both in terms of efficiency but also in terms of impact on budget and the community too.
- **“Developing new ways of delivering services”** – we will need to be working in an ever more integrated way with our partners including:
  - **Telford & Wrekin NHS Clinical Commissioning Group –** continue to explore how we can work better together to provide and/or commission more effective preventive services in communities and so take pressure off health and social care systems.
  - **Town & Parish Councils** – building on strong working relationships such as Parish Environmental Teams to improve local neighbourhoods. Are there opportunities for Parish and Town Councils to manage and deliver certain services at a more local level?
  - **The Local Strategic Partnership** have committed to making “Think Family – Strengthening Families” as one of their top priorities to drive better data sharing across organisations and more integrated and co-ordinated ways of working to improve outcomes and reduce costs.

6.3 Reducing our Dependency on Government Grants

We have already taken significant steps to reduce our dependency on Government Grants and we will continue to drive them forward:

- **“Increasing income through trading our existing services”** – there are many Council services that already “trade” outside the organisation and secure income. Primarily ICT, People Services, Facilities Management and Cleaning, Property Management and Catering. A key purchaser of these services are schools – both those in the Borough and in the past 12 months an increasing number of schools from outside the Borough.
- **“New commercial development/projects”** – we have developed a track record on taking on new ventures to deliver income to the Council and protect front-line services:
  - A solar farm providing £4.4m profit over the next 25 years.
  - Established “NuPlace”, a housing company which will provide over 400 new homes for private and affordable rent, with the first homes being available to move in to in spring 2016.

We will continue to research and develop new opportunities that can bring in an income stream to the Council. Our approach will always be business case-based.

- **“Maximising existing funding streams”** – there are 3 main areas which we are already progressing and will continue to drive:
  - ***Business Supporting, Business Winning*** – continuing to work to attract new investment and work to support the retention and growth of existing businesses. As well as being the right thing to develop jobs and growth in the Borough, the Council receives 49% of all new **business rates** rising to potentially 100% at some point in the future subject to clarification of Government announcements.
  - ***Growth Through Good Planning*** - this is a whole Council approach by which all services work to support and enable business investment in the Borough. Through this approach we have been ranked by the 2014 Core Cities Report in the top 3 local authorities for job growth and housing growth. Through this the Council will see **new Council Tax** and Business Rate receipts, as well as receiving the Governments‟ **New Homes Bonus** for new homes – until any major changes to the local government finance system.
  - ***Property Investment Portfolio*** - a property investment portfolio delivering £5.1m income per annum from rental income.
- **“Securing external funding”** – again we have successfully driven this agenda, including £18.79m through the Marches Local Enterprise Partnership Local Growth Fund.

To continue to reduce our dependency on Government Grants, building on our achievements to-date, we must continue to be creative, fast-acting and smart to identify and realise opportunities as and when we identify them.

6.4 Being a modern Organisation with Modern Practices and Where we Always Get the Basics Right

Core to being a modern organisation is continuing to reshape the Council’s relationship with its staff. We must continue to move towards a more flexible, more pragmatic and less bureaucratic approach to decision making. This means:

- Increased autonomy for managers and staff to take decisions
- Greater focus on development through workforce development programmes
- Greater flexibility including wider more flexible working and job descriptions for staff.
- Encourage creative thinking and challenge
- Focus on efficiency and reducing bureaucracy
- Increased staff engagement so that employee representatives will have a greater influence in the organisation

Whilst driving change and reshaping the relationship between the Council and its staff, we will continue to focus on getting the basics right, including:

- **Safeguarding our most vulnerable children and adults**
- **Procurement and purchasing** – ensuring that we maximise value from the services which we procure – this may be direct benefit or a wider benefit to the community for example, social benefit from capital projects including the employment of local people in new build schemes. It is not enough to be led by what the market will provide. We work to influence and shape the market to ensure that tax payers receive maximum value for money. We will improve further our robust contract management to ensure providers and suppliers meet their contractual obligations, review existing contracts to ensure they are fit for purpose and achieving value for money, widely advertise all contract requirements over £5k to achieve optimum market prices, make greater use of framework agreements and get added social value from procurement.
- **Contract management** – ensuring that we always receive the service or products which we have procured through effective monitoring of delivery and renegotiation of contracts.

6.5 A further strand of our approach is to ensure that we take opportunities to lobby for a fair deal – We will take every opportunity to fight for a fair deal for Telford & Wrekin. Councils are losing income from some businesses that abuse business rates exemptions – we will lobby Government for changes in the law to end this abuse and have agreed an invest to save project to fight fraud including that relating to council tax discounts and business rates.

7. SAVINGS ALREADY DELIVERED

The Council has faced truly unprecedented cuts to its grants from central Government which have now forced us to make ongoing annual savings of £80m. The need for savings has increased each year due to Government grant cuts, inflation and other pressures including the transfer of significant costs in respect of Continuing Health-Care cases from the NHS. Ongoing 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
2014/15	17.204
2015/16	10.237 (Includes in-year Public Health cut)
Total	**80.356**

This is equal to a cut of around £1,100 pa in the cost of Council services for every household in Telford and Wrekin. In delivering these savings, we have applied the principle of 'as far as possible minimising the impact on priority front-line services'. This principle remains at the core of our current strategy although it is now inevitable that we have to put some savings proposals forward that do have significant consequences on front line services. Savings delivered to date include:-

Council Jobs

- Reduced the number of jobs by over 1,270 since April 2010, saving around £22.5m pa following a major redesign and restructuring of the organisation. This has seen 599 vacancies deleted and 671 redundancies although through effective redeployment only 64 of these have been compulsory redundancies.
- Redeployed over 2,050 people within the organisation as a result of restructuring.
- Since 2009 staff pay has increased by 3.2% while inflation (RPI) has risen by 22.5% cutting staff pay in real terms by 19.3%.

Senior managers

- Reduced the size of the senior management team by 50% which is over twice the national average reduction of "Nearly 23.2%" as reported by the Municipal Journal in October 2015.
- Cut pay of our most senior post by 30% in real terms.
- Recently announced a further restructuring of the Senior Management Team which will reduce the number of posts by a further 20%.
- Cut the number of middle managers by 39%.

Back office costs

- Cut back-office costs by around 45% since 2009, saving £9.1m a year. This scale of reduction is significantly greater than what most authorities have achieved through outsourcing or sharing services and has been achieved much more quickly as protracted negotiations with other councils have been avoided. Retaining full control of these services also allows maximum flexibility to drive further changes in future.

Buying better value services

- Delivered £11.3m procurement savings over the past 7 years by renegotiating and re-tendering contracts for the provision of services.
- Secured savings of more than £25m over the lifetime of the waste collection and disposal contract.

Income through growth

- As part of our business winning approach, we expect to generate an extra £7.1m income by 2018, through growth in business rates and council tax since the introduction of the new local government finance system in April 2013.

- We will receive £6.4m in 2016/17 from the New Homes Bonus paid by the Government to reward councils for increasing housing supply.
- Increased income from more commercial approaches across our services over the past two years, including increasing income from schools outside of Telford & Wrekin.

Shared Services, Trade Union Facilities Time, Cabinet Member Allowances

The Council continually reviews delivery options for its services to ensure value for money. A number of services are provided in partnership with other local authorities and statutory agencies. Examples include:-

- The West Mercia Youth Offending Service (WMYOS) established in partnership with Worcestershire, Hereford, Shropshire, health, police and probation. The service works closely with The Police and Crime Commissioner (PCC) with genuine integrated working practices ensuring improved outcomes at a lower cost. It is anticipated that the PCC will take on responsibility for managing the WMYOS during 2016.
- Membership of West Mercia Energy, a joint energy procurement consortium consisting of 4 upper tier authorities.
- We have for some years delivered a number of specialist services through a joint arrangement with Shropshire Council. Telford hosts sensory inclusion and portage whilst Shropshire provides a pan Shropshire adoption service. We are currently exploring a wider partnership arrangement for the adoption service.
- We also work with authorities across the West Midlands through our links to IEWM to put in place regional procurement contracts for agency foster care and residential accommodation.
- Working co-operatively with our Town and Parish Councils such as the Parish Environmental Teams.
- Sharing the administrative costs of the pension scheme by participating in the Shropshire wide superannuation scheme.
- Trade Unions have agreed a 20% reduction in facilities time payments for directly employed staff.
- Cabinet Members voluntarily reduced their special responsibility allowances by 10% at the start of the previous Administration which the new Administration have continued.

Council buildings

- Disposed of 25 properties including the former Civic Offices building.
- Reduced the office space we use by a third, saving the Council £2m. pa.

8. CAPITAL RECEIPTS AND DEBT CHARGES

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

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

In Telford & Wrekin debt repayments in 2015/16 accounted for 8.4% of the net revenue budget (including payment to Shropshire Council in respect of pre-unitary authority debt). This compares to:-

Birmingham	25.5%
Shropshire	9.7%
Unitary Authority average	10.5%
Telford & Wrekin	8.4%

A graph showing the percentage of the net revenue budget allocated to debt repayments in 2015/16 for all unitary authorities is included in Appendix 8.

Our programme of asset sales totals £51.5m over the medium term. The planned profile of these receipts is shown below:

	£m
2015/16	2.868
2016/17	5.814
2017/18	7.037
2018/19	10.810
Later years	25.000
Total	51.529

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 by both officers and members of the Audit Committee 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. SECTION 106 AGREEMENTS

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

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

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

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

The Council's Children and Young People Scrutiny Committee undertook a scrutiny review of Primary School Places during 2014 which considered s.106 agreements relating to education and it was agreed that details of these agreements would be included in the service and financial planning report in future years. Details are therefore included in Appendix 12 for the period 1st April 2015 to 31st October 2015 showing income and expenditure on each scheme. Details of these and all other s.106 agreements will be included in the final accounts report which is considered by Cabinet in June of each year to show the year-end balance and in-year movement relating to each current s.106 agreement.

10. MEDIUM-TERM FINANCIAL OUTLOOK

10.1 Context

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

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

As the Chancellor made clear in the Comprehensive Spending Review announcements, the squeeze on public finances will continue throughout the current Parliament meaning a decade of severe financial constraint for unprotected parts of the public sector such as local government. Savings inevitably become more difficult to find and the impact on front line services and the consequences for communities will unfortunately therefore become greater in future.

More prosperous parts of the country are less affected by the cuts to grants but also tend to have a higher level of council tax base and growth which increases income from council tax, new homes bonus and from retained business rates. Some concern is now being expressed at the ability of councils to continue to meet their statutory obligations.

10.2 Comprehensive Spending Review.

The Chancellor, George Osborne, delivered his Comprehensive Spending Review on 25th November 2015. The Spending Review 2015 (SR15) report sets out the government's spending plans for 2016/17 to 2019/20 and sets out expectations for economic growth, inflation and tax receipts for the remainder of the Parliament. The Comprehensive Spending Review also set out the Government's spending priorities.

Funding Levels
The funding amounts for the main government departments are shown in the table below. The figures for local government do not include the business rates element of funding.

Published Funding Amounts for Selected Government Departments

	2015/16 £bn	2016/17 £bn	2017/18 £bn	2018/19 £bn	2019/20 £bn	% Change
Defence	27.2	27.8	28.5	29.2	30.0	10%
Home Office	10.3	10.7	10.6	10.6	10.6	3%
Health	111.6	115.6	118.7	121.3	124.1	11%
Work and Pensions	5.8	6.1	6.3	5.9	5.4	-7%
Education	53.6	54.4	55.5	56.4	57.1	7%
Business, Innovation & Skills	12.9	13.4	12.3	11.7	11.5	-11%
Justice	6.2	6.5	6.3	5.8	5.6	-10%
DCLG Local Government DEL	11.5	9.6	7.4	6.1	5.4	-53%

The UK economy and public finances

The changes to the underlying OBR forecasts since July 2015 show a £27 billion improvement in the level of public finances. The underlying forecast for tax receipts is stronger and debt interest is lower.

Government Priorities

The Government has protected a number of core priorities from the spending reductions and these include:

- Spending 2% of Gross Domestic Product (GDP) on defence for the rest of this decade;
- Spending 0.7% of Gross National Income on overseas aid
- Providing the NHS in England with £10 billion per year more in real terms by 2020/21 than in 2014/15; with £6 billion available by the first year of the Spending Review.
- Increasing the basic State Pension by the triple lock in April 2016, so that it rises to £119.30 a week;
- Protecting schools' funding in England in real terms over the Spending Review period;
- Maintaining funding for the arts, national museums and galleries in cash terms over this Parliament.
- The Security and Intelligence Agencies will see their budgets rise by 18% in real terms. The Home Office will make £500 million of new investments to 2021 in the UK's core counter terrorism capabilities.
- Police funding will be protected in real terms over the Spending review Period, with an increase of £900 million in cash terms by 2019/20. There will also be greater flexibility for Police and Crime Commissioners (PCCs) in those areas which have historically kept council tax low. This will allow up to an additional £12 million per year to be raised locally (compared to a 2% annual increase).

Local Government - Overview.

The Spending Review sets out Departmental Control Totals for DCLG over a 5 year period including the current financial year.

The table below shows the figures provided within the report. NB:-

- The figures exclude the current Business Rates Baseline of £11.3bn.
- The figures do not include the move to 100% business rate retention, which is to be consulted upon shortly
- Changes to grants paid to local authorities from other central government departments are not taken into account.

Local Government Funding amounts as per SR15

	2015/16 £bn	2016/17 £bn	2017/18 £bn	2018/19 £bn	2019/20 £bn
DCLG Local Government DEL	11.5	9.6	7.4	6.1	5.4
DCLG Local Government DEL % change		-16.5%	-22.9%	-17.6%	-11.5%
Locally Financed Expenditure	28.8	29.0	31.5	33.6	35.1
Locally Financed Expenditure % change		0.7%	8.6%	6.7%	4.5%

The table shows:

- A reduction in funding of £6.1bn in local government DEL over the period. This equates to a 53% reduction in funding. The SR report shows the "Cumulative real growth" for this change as -56% (i.e. including the impact of forecast inflation).
- The Chancellor said that total funding increases from £40.3bn to £40.5bn. **This assumes that Councils benefit from increased BCF, business rates growth and the social care precept.**

Social Care

- The government is to allow local authorities with adult social care responsibilities, the power to raise an additional 2% through council tax to fund adult social care by introducing a new "social care precept". This 2% would be in addition to the council tax referendum limit and would need to be used exclusively for adult social care only. This is expected to raise an additional £2bn per annum by 2019/20.
- The government also announced that £1.5bn will be made available to local authorities to add to the Better Care Fund by 2019/20. However, no additional funding will be available from the BCF in 2016/17.
- The detailed CSR documents state that this will support councils to continue to focus on core services and to increase the prices they pay for care, including to cover the costs of the National Living Wage, which is "expected to benefit up to 900,000 care workers".
- The CSR also states that the government remains committed to introducing the Dilnot reforms to social care, with funding provided in 2019-20 to cover the costs of local authorities preparing for these changes. The cap on reasonable care costs and extension of means tested support will then be introduced and funded from April 2020.
- The CSR report states that there will be savings made to Public Health Funding, with 3.9% average real terms saving per annum over the next five years (therefore assumed to mean from £3.4bn in 2015/16 to

£3.1bn by 2020/21) and that the ring fence will be maintained for 2016/17 and 2017/18. The government are also planning to consult on moving the funding from the current grant-based system to being funded from retained business rates.

Funding Reform

- The Chancellor re-iterated previous announcements regarding the move to 100% business rates retention by the end of this Parliament. The report indicated that the government will consult shortly on this area.
- The Chancellor said that the government also intends to consult on changes to the local government finance system to rebalance support, including to those authorities with social care responsibilities by taking into account the main resources available to councils, including council tax and business rates.
- Key features of the move to 100% business rates retention will include the ability for directly elected Mayors to increase the local rate for specific infrastructure projects and the ability for local authorities to reduce rates locally.
- Local authorities will be able to spend 100% of fixed asset receipts (excluding Right to Buy) on the revenue costs of "reform projects" (with the details announced alongside the provisional settlement).
- The report included reference to the additional responsibilities that 100% business rates retention may bring. It suggested that the government would consider transferring responsibility for funding the administration of Housing Benefit for pensioners and Public Health funding (as above).
- There will be an extension to the doubling of small business rate relief in England for 12 months to April 2017.
- As previously announced, the government confirmed that the current review of business rates will report at Budget 2016 and it will be fiscally neutral.

Education

- The Spending Review has protected the core schools' budget in real terms, enabling the per pupil rate for the Dedicated Schools Grant to be protected in cash terms.
- The government will introduce the first national funding formula for schools, high needs and early years. The government will launch a detailed consultation in 2016 and implement the new formulae from 2017/18.
- There will be investment of "£3bn over the Parliament to open 500 free schools and provide 600,000 additional school places, rebuild and refurbish over 500 schools and address maintenance needs.

- The government plans to extend Academies and, in doing so, to save up to £600m on the Education Services Grant which will impact on council budgets.

New Homes Bonus

- The government said that it is to consult on reforms to the New Homes Bonus, including means of ‘sharpening’ the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care.

Other:

- The Right to Contest regulations will be strengthened to encourage local authorities to release surplus assets.
- The government will consult on requiring all authorities to record all property assets in a consistent way using the government’s electronic Property Management Information System (e-PIMS).
- Funding of £500m for Disabled Facilities Grant, to fund up to 85,000 housing adaptations per annum.
- An apprenticeship levy on larger employers will be introduced in April 2017. It will be set at a rate of 0.5% of an employer’s paybill. Each employer will receive an allowance of £15,000 to offset against their levy payment. For Telford & Wrekin Council this is a previously unfunded additional pressure of around £0.3m pa which has been built in to the figures in this report.

10.3 Local Government Finance Settlement

Fundamental changes were made to the local government finance system from 2013/14 including the localisation of a share of business rates, the replacement of the national council tax benefit scheme with local council tax support schemes and the transfer of responsibility for public health services from the NHS to councils. The new local government finance system represented a significant transfer of risk from the Government to councils but also brought opportunities and incentives to encourage growth in local communities. This Council is well placed to benefit from the new financial system with an attractive environment, good motorway connections and ready to go development sites. We have grasped the challenge to become a “Business Supporting and Business Winning” Council.

Whilst the Comprehensive Spending Review sets the strategic financial overview for the Government as a whole over the medium term, the provisional local government finance settlement sets out the specific proposals affecting local government for 2016/17 with details for each council being provided.

Despite persistent requests from across the local government community over many years for an early settlement so that effective financial planning can be undertaken, **the provisional settlement was not announced until Thursday 17th December.** This was the latest possible day as the Government has to make the announcement before the end of December and while Parliament is sitting. This extremely late announcement makes planning and forward projections extremely difficult and compresses the time available for consultation. As expected this settlement will force the Council to continue to make cuts on an unprecedented scale as it has a legal duty to set a "balanced budget". Whilst it is a provisional settlement with final figures due to be announced in late January or early February, there is little prospect of any significant improvement in the final settlement.

The settlement contains significant areas of new methodology and it has been complex to analyse the implications for Telford & Wrekin Council. However, many of the new approaches should be welcomed, whilst recognising that local government, perhaps already the most efficient part of the public sector, has again been penalised by significant cuts. **At the time of preparing this report, details of funding totalling over £13m in the current year have still not been released by the Government and a significant degree of uncertainty over our actual position for next year therefore remains. It is also possible that as this is a provisional settlement, the final figures may be better or worse than currently indicated.** Clearly other factors will also change within our own budget as the Council delivers hundreds of services which operate in a dynamic environment.

What is clear, however, is that the Council's provisional Revenue Support Grant has been cut by 20.81% for next year in cash terms. Overall the settlement is broadly as expected and means that the Council will have to continue to make very difficult choices about how it prioritises spending decisions.

The Government have changed the methodology for calculating "spending power" in response to criticism since the original approach was introduced. The new approach seems fairer and Telford & Wrekin's cut to spending power is 2.55% compared to a national average cut of 2.8%.

However, the new methodology shows that **national average spending power is £1828.78 per dwelling. In Telford & Wrekin it is £1675.51 some £153.27 less per dwelling (over 8% below average) which equates to a total of £11.1m less spending power than the national average for the borough.** In part this is down to our low council tax base and low level of council tax.

Indicative figures for the four years of the CSR period have been announced which will aid financial planning. A four year settlement is available to those councils that agree an annual Efficiency Strategy. This strategy would have to be agreed at full Council before the start of next financial year. Agreeing an efficiency strategy would also enable the council to take advantage during a three year period starting in April 2016 to use capital receipts generated during this period to fund revenue costs associated with service transformation that generates ongoing efficiency savings. This Council is particularly well placed to prepare an efficiency strategy as the “Being the change” report, our outstanding track record of sound financial management in very challenging circumstances and this and previous service and financial planning strategies demonstrate.

Key Issues

The key issues emerging from the provisional settlement are as follows:

For the period 2015/16 to 2019/20, there is a reduction to the England Settlement Funding Assessment (SFA) of 31.8% (based on the adjusted 2015/16 figure), as per the table below.

	2015-16 adjusted £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
SFA	21,250	18,601	16,622	15,536	14,500
Change %		-12.5%	-10.6%	-6.5%	-6.7%
Cumulative change %		-12.5%	-21.8%	-26.9%	-31.8%

In addition to SFA funding, starting in 2017/18, there will be additional funding through the “Improved Better Care Fund”. By 2019/20, this will be worth £1.5bn per annum nationally. This funding will go to authorities with Social Care responsibilities to complement the new 2% Social Care Council Tax precept, which was previously announced in Spending Review 2015. This funding will take into account the amount that each authority can raise locally through a 2% increase in Council Tax.

Rather than all local authorities receiving the same percentage reduction in Revenue Support Grant (RSG) funding, the government now propose to take into account the amount that can be raised locally from Council Tax, thereby increasing the reduction in RSG funding for higher taxbase authorities (in terms of the ratio of taxbase income to SFA) and lowering the reduction for lower than average taxbase authorities. The government has also altered the split of funding between tier of government, which would appear to favour upper tier services and lead to higher funding reductions for district councils. The Council Tax referendum limit remains at 2%. However, local authorities with social care responsibilities will be able to increase council tax by up to 4%, providing that 2% is for social care.

After 5 years when the Government have made a grant available to Councils that froze council tax no such grant will be available in future years. The grant has been equivalent to a council tax increase of just under 1.2% to this authority as it was based on the council tax base before adjusting for Local Council Tax Support scheme discounts.

The Rural Services Grant will increase from £16m in 2015/16 to £65m by 2019/20.

It appears that there are no changes to the New Homes Bonus scheme planned before 2018/19, with in-year allocations increasing from £1,167m in 2015/16 to £1,485m in 2016/17, £1,493m in 2017/18 and then a reduction to £938m in 2018/19 and to £900m by 2019/20.

Core Spending Power

The Minister announced that the Spending Power calculation that has been published in previous years has been amended to exclude funding that is not directly controlled by local government and is now known as Core Spending Power. This now means that current Better Care Fund and Public Health Grant allocations have been removed from the figures.

The calculation now only includes the Settlement Funding Assessment, Council Tax, the Improved Better Care Fund, New Homes Bonus and the Rural Services Delivery Grant.

The table below shows the national changes to Core Spending Power between 2015/16 and 2019/20. It shows a reduction of 2.8% for 2016/17 and an overall reduction for the period 2015/16 to 2019/20 of 0.5%.

Core Spending Power figures for England 2015/16 to 2019/20

	2015-16 adjusted £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	21,250	18,601	16,622	15,536	14,500
Council Tax, of which:	22,036	23,148	24,436	25,821	27,314
Improved Better Care Fund			105	825	1,500
New Homes Bonus and returned funding	1,200	1,485	1,493	938	900
Rural Services Delivery Grant	16	20	35	50	65
Core Spending Power	**44,501**	**43,255**	**42,690**	**43,170**	**44,279**
Change %		**-2.8%**	**-1.3%**	**1.1%**	**2.6%**
Cumulative change %		**-2.8%**	**-4.1%**	**-3.0%**	**-0.5%**

Local Government Funding 2016/17

The 2016/17 provisional finance settlement represents the fourth year in which the Business Rates Retention (BRR) scheme is the principal form of local government funding. As in the previous three years, the provisional settlement provides authorities with a combination of provisional grant allocations and their baseline figures within the BRR scheme.

The 2016/17 announcement includes local authority allocations up to 2019/20. A new methodology for determining authorities' RSG allocations has been proposed within the provisional settlement. Rather than applying the same percentage cut to all authorities, the new approach takes into account individual authorities' council tax raising ability and the type of services they provide. This would appear to favour upper tier authorities, with significantly larger funding reductions for district councils.

The methodology adds together authorities' SFA amount and their forecast council tax income for 2016/17 (based on individual authorities' actual council tax levels), before applying a percentage reduction. This approach means that authorities with a lower than average council taxbase (relative to their SFA amount) have a lower reduction in grant (and those with a higher taxbase have a higher reduction in grant).

The methodology therefore aims to take into account the amount that an authority can raise locally/the impact on overall funding of RSG reductions. It is a similar approach to the Resources block, with the previous four-block model (last used to set the Baseline Need amounts in 2013/14). By using actual council tax levels, rather than an assumed level, this approach also favours authorities with below average Council Tax, and disadvantages those with above average Council Tax levels. As an authority with comparatively low property values (at 1991 values) and therefore a comparatively low tax base as well as comparatively low levels of council tax this approach should benefit this authority.

Improved Better Care Fund

An additional £1.5bn by 2019/20 has been allocated to local authorities with social care responsibilities. As with the allocation of Revenue Support Grant, this funding takes into account local authorities' ability to raise resources locally. In this instance, it factors in the amount that each authority can raise from the 2% social care precept on Council Tax. The in-year allocations are as follows:

- 2017/18 £105m
- 2018/19 £825m
- 2019/20 £1,500m

The allocation methodology attempts to allocate funding as per the 2013 adult social care relative needs formula, taking into account the 2% council tax precept and the amounts above.

Social Care Precept

As announced at SR2015, the government has confirmed that there will be a 2% social care 'precept'. Those authorities with Adult Social Care responsibilities will be required to provide certain information and undertake a number of actions. The Secretary of State will take account of these authorities' actions when setting referendum principles in future years.

There will be a requirement for Section 151 officers in these authorities to provide information demonstrating that an amount equivalent to the additional council tax has been allocated to adult social care. This must be done within 7 days of their authority setting its budget and council tax for 2016-17. In subsequent years of the Parliament, Section 151 officers will be required to confirm that this additional council tax continues to be allocated to adult social care.

Tax payers must be informed on the face of the council tax bill and in the information supplied with it about the part of the increase that is being used to fund adult social care.

The guidance also suggests that authorities setting a council tax increase which does not make use of the additional flexibility in any year will still be asked to comply with some of the steps outlined in relation to any increases in council tax that will be used to fund adult social care services.

Parish councils

Parish councils have not been subject to the referendum limit previously and are not subject to it for 2016/17.

Consultation

A period of consultation will be held on the provisional settlement until 15th January 2016 with a final announcement not being made until late January or early February 2016. The Cabinet Member for Finance & Enterprise will respond on behalf of the Council.

10.4 Future projections.

It is very difficult to make accurate projections of the likely budget gap that the Council may face in the years beyond 2016/17 despite the helpful future provisional indications included in the settlement for the duration of the CSR period. The Government have announced a review of the operation of the business rates system and a revaluation of all commercial, industrial and retail premises will be undertaken. These factors along with the inherent complexity of the various reliefs available, potential for bad debts and the significant number and value of outstanding appeals from previous revaluations undertaken by the Government's Valuation Office Agency mean that income from business rates is very difficult to predict. However, collection performance has been very good and benefits are being seen from the Council's Business Winning approach.

However, it is clear that the Council faces several more years of cuts. The Council has managed its financial position very well to date but must now plan for and consult on a package of cuts to ensure that we continue to meet our statutory responsibilities and the needs of our communities as far as we are able to with significantly reduced resources.

We have used the best available information to inform the Council's budget model which includes many assumptions on factors that will impact on the anticipated scale of the budget shortfall that we will face in future years and currently anticipate that the Council will face the following budget shortfalls over the medium term:-

	2016/17 £m	2017/18 £m	2018/19 £m
Expected budget shortfall*	10.462	12.492	8.676
Expected cumulative budget shortfall	10.462	22.954	31.630

* before any benefit from the new Social Care Precept, general Council Tax increase, additional savings or use of one-off resources.

The projections for years after 2016/17 are only intended as a broad indication at this stage for planning purposes and the estimates will be further updated as additional information becomes available.

To date the pattern of cuts to local authorities across the country has been uneven with much greater cuts to areas of greatest need – specifically the North East and areas like Telford & Wrekin whereas some areas, predominantly in the South East have actually seen their funding from the Government increase at a time when Government support to local government as a whole has been savagely cut. This disproportionate allocation of cuts to spending power is clearly demonstrated in the "Heat Map" produced by Newcastle-Upon-Tyne City Council and included as Appendix 1 to this report. The changes to methodology now proposed by the Government go some way towards meeting the representations made by councils like Telford & Wrekin and will make the allocation of cuts across the country slightly fairer in future – however, the scale of reduction to Government support to local authorities will still continue at an unprecedented rate.

11. 2015/16 PROJECTED OUTTURN POSITION

As the Financial Management report also on this agenda shows, excellent financial control is being exercised and good progress is being made in delivering the overall budget for 2015/16 although there are some areas of significant pressure and the actual outturn will clearly be different as we are only part way through the year. The final outturn may be a better or worse position than that currently shown in the financial management report and it is clearly essential that all budget holders continue to exercise tight financial control and to deliver all planned savings. However, the Council will have significant one-off funding available at year end including over £5m in-year benefit from the proposed changes to the MRP treatment and the benefits of sound financial management which can be used to support one-off costs associated with the delivery of ongoing savings.

In order to support the delivery of further ongoing savings recommendation 2 of this report asks Members to approve the transfer of £3m from the projected 2015/16 underspend, which largely arises from debt rescheduling as set out in Section 12 and Appendix 13 of this report, to the Invest to Save/Capacity Fund and £3m to the Severance Fund. Any remaining underspend at year end will supplement usable balances which could be used to support service and financial planning strategies in future years on a one-off basis as part of a medium term plan to deliver a sustainable ongoing position.

12 MINIMUM REVENUE PROVISION CALCULATION

The Council can generate a potential revenue benefit in the short to medium term from revising its approach to the calculation of Minimum Revenue Provision (MRP). This has the effect of re-scheduling debt repayments. Some changes have previously been made in respect of adopting an annuity approach for the calculation of MRP relating to prudential borrowing and reviewing the calculation of MRP in respect of “Government Supported” debt.

New opportunities have been identified relating to the calculations in respect of both historic and PFI related debt. More detail of these proposed changes is included in Appendix 13. It must be noted that this proposal gives a benefit compared to the existing methodology until 2027/28 for historic debt and until 2031/32 for PFI related debt after which time costs will increase. As the benefit in the short to medium term arises from re-phasing principal repayments, both total levels of debt and interest payments will be higher in future years than they would otherwise have been. However, in the current period of extreme financial pressure caused by protracted and unprecedented cuts to the Council’s grants from Government such a re-phasing can be justified provided that future financial planning takes the eventual increased costs in to account. The revised approach and highly complex underlying calculations will not be confirmed by the external auditors until the accounts for 2015/16 have been audited in September 2016 so until approved there will therefore be an element of risk over the actual benefits in 2015/16 and later years although KPMG have agreed the proposal in principle.

If these changes are not approved, the Council will need to make additional savings both to bridge the shortfalls that would arise in the benefits listed in Appendix 2 of £5.696m in 2016/17 and £5.338m in 2017/18 and would also need to identify additional one-off funding to supplement the Invest to Save/Capacity Fund and Severance Fund which can be funded from the unbudgeted benefit of over £5.3m which can be generated if the changes are implemented in the current financial year. Supplementing the Invest to Save/Capacity Fund and Severance Funds are essential to fund one-off costs required to support the delivery of ongoing revenue savings put forward in this report. The local government finance settlement included draft guidance on the flexible use of capital receipts so that if capital receipts are generated within the three year period starting April 2016, these may be used to fund revenue costs that result in ongoing efficiency savings. However, this approach would also result in higher debt levels than would otherwise be the case as the current financial planning assumption is that capital receipts generated will be used to fund new planned capital expenditure or otherwise reduce net debt levels.

In total the changes that have been made and are now proposed to the calculation of MRP will generate revenue benefits of over £40m for the Council by 2019/20.

13. SAVINGS PROPOSALS 2016/17 AND LATER YEARS

Appendix 2 includes details of additional savings proposals for 2016/17 and 2017/18. Savings net of pressures and leakage total £9.87m in 2016/17, rising to £20.076m in 2017/18. However, £2.7m of the MRP savings are not ongoing beyond 2017/18 and will not therefore make up for the ongoing impact of the Government imposed cuts. **The ongoing savings net of pressures and leakage total £7.17m in 2016/17 rising to £17.376m. , cumulative, in 2017/18**.

It is prudent to aim to over-achieve the bare minimum level of savings required in order to provide some flexibility in responding to the results of our planned extensive consultation exercise and to recognise that there may be some delays in implementing and delivering the more challenging savings in the timescales assumed. Any over-achievement in 2016/17 will be used to offset the shortfall currently projected for 2017/18.

14. PRESSURES

It is with this medium term focus in mind that pressures and any developments need to be considered. The approach adopted in preparing this strategy has been to maximise ongoing savings as far as possible whilst seeking to approve only unavoidable pressures as these have to be funded from further savings.

Details of the pressures are included in Appendix 2c. As part of the budget modelling work carried out for 2016/17 a number of pressures in two specific areas have been recognised. These are:-

Adult Social Services:-
The Council has consistently prioritised the protection of vulnerable people and the level of cuts made to the Council's adult social services has been significantly less than to most other services. **For 2016/17 despite the financial challenges that the Council faces we are planning to increase the budget for adult social services.** Despite putting more money in to the budget for Adult Services this does not mean that the council can continue to deliver the same services in the same way. We are absolutely committed to

meeting the assessed needs of vulnerable adults and will continue to do this but in new ways. This means that changes will be made to services and savings will arise from these new ways of working but these savings and other additional funding will be re-invested back in to Adult Social services in 2016/17.

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

In the CSR, the Chancellor announced a new "Social Care Precept" of 2% on council tax bills for upper tier authorities. Government projections in the CSR and the local government finance settlement assume that all eligible authorities implement this social care precept throughout the 5 year CSR period. This Council will implement the social care precept and will re-invest the £1.078m it will generate back in to meet cost pressures within adult social services. **In total the Council will increase the budget for adult social services by £1.598m next year compared to 2015/16**. However, as we need to continue to make savings in the face of continued Government cuts to our grant, our current projection is that the budget for Adult Services will fall back in 2017/18 to a level £0.812m less than that in the current year. The Council is trying to be as compassionate as possible in how it makes savings and this represents just 4% of the total cuts (net of pressures) over the two year period whereas spending on adult services represents around 30% of our total budget.

The Council and external providers will face cost pressures arising from the introduction of the new national minimum/"living" wage. Despite the social care precept which has been introduced by the Government, the Council is not in a good position to meet these cost pressures as this Council has a low level of council tax and also comparatively low property values which combine to give it a comparatively low yield from a 2% council tax increase. At the same time the area has a reasonably high level of need and a comparatively low level of self-funders and an exceptionally low level of Continuing Health Care funding from the NHS. Whilst some of these factors will be recognised in part by the new BCF when it is introduced in 2017/18, these factors place a great deal of pressure on the Council's budget, particularly so in 2016/17 before the new BCF is introduced. In summary, our ability to meet requests for increased payments from care providers is limited although we recognise the additional cost pressures that providers face in some areas such as pay costs but also in the context of benefits from current low financing costs and fuel costs and reductions in corporation tax.

We will therefore only be able to fund such requests from care providers on a case by case basis following an open book review of financial performance, or if we can secure further savings through our operating model and by identifying and challenging outlier costs and using the savings made to fund those struggling.

Children's Safeguarding:-
The Council has always placed the highest priority on safeguarding children and young people and there is no question that financial pressures would result in us making inappropriate decisions relating to childrens' safety. **This report includes additional new ongoing revenue investment of over £1.4m from 2016/17 onwards in to children's safeguarding.** This investment recognises that safeguarding children from harm and neglect is the Council's top priority and aims to put the safeguarding budget on a sustainable basis. No draw down budget is therefore proposed for Children's Safeguarding. However, one-off resources of £0.5m are set aside within the service area that could be used in the event of unexpected cost pressures over and above the allowances now built in to the base budget or in the event of additional need the corporate contingency could be called upon or further savings made from other parts of the Council's budget.

A cost improvement plan is also in place for this service to address areas of pressure and to ensure that costs are contained within the increased base budget as far as possible.

15. ADULT SOCIAL SERVICES AND PUBLIC HEALTH CHANGES

15.1 Better Care Fund (BCF)

The Government have confirmed that this will continue in 2016/17. The pooled budget in 2015/16 totals £12.5m. Whilst robust local discussions are yet to be completed about the content of the plan and pooled budget there is currently no expectation of increasing the level of funding involved.

As part of the Spending Review the Government announced an additional £1.5bn of BCF funding to support councils in working with their local NHS to address the pressures on care. This funding will complement the new Adult Social Care precept with more going to Councils that raise less from the precept. This assists councils like Telford & Wrekin which have a low level of council tax, a low tax base and significant levels of need. It will tend to be less favourable to areas of the country with high property values, high levels of council tax and lower levels of need as the allocation takes in to account need as according to the 2013 adult social care relative needs formula.

Nationally the additional BCF funding will be an additional £105 million in 2017-18, £825 million in 2018-19 and £1.5 billion in 2019-20. For Telford & Wrekin the indicative figures are £0.5m in 2017/18, £3.3m in 18/19 and £5.7m in 2019/20. The final allocation of this funding will be consulted on in 2016.

15.2 Continuing Health Care (CHC)

The Council is currently in receipt of a payment of £2.4m from the CCG to recognise the impact on spending levels of the current approach to CHC. There is currently no guarantee that this payment will continue into 2016/17 and so may represent a risk to the overall budget strategy. The Council and CCG are working together to review the current approach to CHC with the Council's objective being to ensure that funding increases to levels similar to other CCG areas from the current extremely low levels and if successful this should significantly reduce this risk.

15.3 Care Act

The Care Act (Part 1) was implemented in 2015/16 and work was continuing on Part 2 for implementation in April 2016. In July 2015 the Government announced that they were suspending implementation of Part 2 until 2020 following concerns raised by the Local Government Association. All Council's received additional burdens funding in 2015/16 to address new costs arising from Part 1 and costs associated with preparing for Part 2, including additional care assessments.

This funding has been rolled into the Revenue Support Grant in 2016/17. Funding in relation to Part 1 was also allocated as part of the BCF in 2015/16 but was to be found from within existing levels of NHS funding. The CCG has not been able to release funding within the BCF to fund this element of the Care Act requirements so adding extra pressure on to the Council's budget in 2015/16; currently it is unclear whether this issue will be replicated in 2016/17.

15.4 Independent Living Fund

This fund was previously administered by Central Government but was closed in July 2015 and the responsibility for all existing clients transferred to Councils. Telford & Wrekin received a un-ringfenced grant of £730k which represented a 5% reduction of funding for three quarters of a year to fund clients' needs. The full year allocation we would expect for 2016/17 is estimated to be £973k. Additional pressure would arise in the budget from any further reduction or cessation of the grant. Telford & Wrekin have yet to receive any confirmation that this grant will continue into 2016/17, and if it does what amount will actually be provided.

15.5 Public Health Grant

Telford & Wrekin received a Public Health Grant of £12.485m in 2015/16, this figure included a half year allocation for the transfer of Public Health 0-5 age services to the Council from the CCG. The Government announced in June an in-year cut nationally of £200m and following a consultation this has now been implemented equally across all Councils at a level of 6.2% reduction. For Telford & Wrekin this was £773k and has been addressed by a number of in year savings of both an ongoing and one-off nature.

The Government have recently undertaken a consultation on the proposed target formula for public health grants to local authorities in England from 2016-17 which will determine any change to the overall share of the grant. The level of grant for next year has still not been announced and may not be known until January 2016.

The Spending Review confirmed the continuation of the 6.2% reduction with a further cut of £1.3m over the next 4 years. This equates to a cut of £292k in 2016/17 and a further £325k in 2017/18 based on the assumed 2016/17 grant level. The Council's budget strategy also includes an up-lift to the allocation to reflect the full year impact of the 0-5 age services.

16. OVERALL PROJECTED BUDGET SHORTFALLS

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

	2016/17 £m	**2017/18 £m**	**2018/19 £m**
Projected Budget Gap	10.462	22.954	31.630
Less 2% Social Care Precept	(1.078)	(2.178)	(3.300)
Add pressures	8.253	10.168	10.168*
Less Savings adjusted for leakage	(18.123)	(30.244)	27.544
Projected over-achievement assuming that all savings proceed following the consultation process without amendment and that all approved savings are delivered within currently anticipated timescales. Any such over-achievement would be used to cover part of the shortfall currently projected for 2017/18.	(0.486)	0	0
Use of surplus from 2016/17 on a one-off basis	N/A	(0.486)	0
Remaining shortfall to be covered from further savings, council tax increase (in addition to social care precept) or use of one-off resources as part of a planned strategy to deliver a sustainable ongoing budget position.	0	0.214	10.954

Notes:-

- The position for 2016/17 and 2017/18 assumes that all planned and proposed savings are delivered in accordance with currently anticipated timescales. This assumption will be revised following consultation on the proposed savings in Appendix 2 to reflect any changes that are made in response to comments received during the consultation period.
- The remaining budget shortfalls outlined above assume that the Council implement the Government's new proposed Social care Precept (equivalent to a 2% council tax increase) but no other increases in council tax.
- A 1% council tax increase would generate around £0.539m and the Government announced, as part of the settlement, that Councils with social care responsibilities such as Telford & Wrekin would have to hold a referendum if they increase council tax by 4% or more (including the 2% social care precept).
- Given the regulations applying to such referenda and the costs of holding a referendum and the potential cost of re-billing very few councils have considered council tax increases above the referendum threshold.
- * Projections for 2018/19 will need to be refined as further information becomes available. Pressures for 2018/19 have been assumed to continue at the same level as in 2017/18.

17. COUNCIL TAX

Council Tax in Telford & Wrekin has historically been low compared to other councils. Appendix 6 is a graph comparing council tax levels across the Midlands region and demonstrates that council tax in this area is the second lowest in the Midlands region at Band D (£1147.49) and is less than 2% higher than Dudley which is lowest (£1125.36). Appendix 7 compares our council tax to the other unitary authorities in England and shows that we have the 6th 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 (£1269.12 at Band D) in the current year, we would have generated an additional £5.7m p.a.

A further factor that has reduced resources in this area is "grant damping' whereby grant that the Government has calculated should be paid to this council is withheld and used to support spending by councils that would otherwise receive less grant e.g. as a result of reducing population numbers. In the calculations used to establish the new local government finance system which came in to effect from 1st April 2013, £1.6m pa of this loss was perpetuated in the new baseline funding settlement for the Council and will be withheld from us for the foreseeable future.

The Council also continues to suffer from a population undercount. We believe that the Office for National Statistics undercounts our population by around 4,000 people which has resulted in a further loss of grant of around £1.2m pa. in recent years.

As well as a comparatively low level of council tax, this area also suffers from comparatively low property values with the majority of our properties being in Bands A or B. Whilst this is relatively good news for local residents in terms of their council tax bill and although we appreciate that council tax bills are still a significant cost for local households, it means that we do not have the same scope to generate income from council tax as many other parts of the country where levels of council tax are much higher and average property levels are also higher. This position is now recognised in the Governments new, more accurate, methodology for calculating spending power. The new methodology shows that national average spending power is £1828.78 per dwelling. In Telford & Wrekin it is £1675.51 some £153.27 less per dwelling (over 8%) below the average for England which equates to a total of £11.1m less spending power than if this area enjoyed the national average – in part this is down to our low council tax base and low level of council tax. From 2017/18 the proposed allocation of the new Better Care Fund will take in to account the need to spend on adult services but also the relative ability of authorities to raise funds from the new 2% adult social care precept which will tend to benefit councils with lower council tax levels and lower property values.

For the past 5 years the Government have offered a “Council Tax Freeze Grant” to Councils that have frozen council tax levels. However, after 5 years, the Government are no longer offering these grants which for Telford & Wrekin were worth the same as a council tax increase of just under 1.2%.

From 2016/17 the Government have, however, introduced a new “social care precept” for councils that have social services responsibilities. The Government’s projections assume that all councils that are able to take advantage of this new flexibility for each of the years covered by the CSR (i.e. the 4 year period through to, and including, 2019/20). The new precept is however to be ring-fenced to fund additional social care costs. In-line with Government expectations the Council will be introducing this new adult social care precept. The social care precept would cost band B households 34p a week. (The majority of properties in this area are in Band A or B). The Council is aware that care providers will face increased costs arising from the introduction by the Chancellor of the new national “living”/minimum wage announced in the CSR and the Council is now able to make some provision for some costs arising from this in its budget projections although negotiations with individual care providers on an open book basis will be required to justify the release of funds which will otherwise be used for general provision of support for vulnerable adults.

The Council’s budget model does not assume any increase in council tax for 2016/17 or later years. However given the continued pressure on the Council’s finances due to continued significant cuts in our grants from Government, combined with the failure of the Government, after five years, to offer any council tax freeze grants in future, the Council is consulting on three options for council tax. These are:-

Option 1 – "freeze" Council Tax - This is inline with our financial planning assumption for 2016/17. (The total bill for Council services will increase by 2% because of the social care precept which would cost band B households 34p a week.)

Option 2 – increase Council Tax by 1.2% (in addition to the 2% adult social care precept – a 3.2% total increase in your bill for Council services)

This proposed increase is equivalent to the Council Tax freeze grant that the Government had previously paid. This extra money would be used to help lessen cuts to key services by around £600,000 a year. Together with the social care precept, this increase will cost Band B households 55p a week for Council services.

Option 3 – increase Council Tax by 1.9% (in addition to the 2% adult social care precept – a 3.9% total increase in your bill for Council services). This would raise an extra £1 million a year. Many other councils are proposing increases at this level. Together with the adult social care precept, this option would cost Band B households 67p a week for Council services.

During the consultation period, the Council would like to hear views from the community about what balance should be struck between moderate council tax increases and further service cuts in 2016/17 and later years given that future cuts will have much greater consequences for front-line services.

18. BASE BUDGET, BALANCES AND CONTINGENCIES

18.1 Base Budget

A summary of the Base Budget position is included at Appendix 9 which shows a net base budget of £129.252m for 2016/17 before savings and investments giving a base budget funding gap of £9.384m. Appendix 9 also includes an analysis of the main changes in moving from the 2015/16 budget to the 2016/17 base budget.

18.2 Balances

Appendix 10 summarises the overall reserves and balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This currently shows around £2.36m available which could be taken in to account as part of medium term budget strategy considerations. However, this figure excludes the currently projected underspend in the current financial year of £8.227m as reported in the Financial Management report also on this agenda as this position will change before the end of the year and a significant part of this underspend is required to support the delivery of the ongoing savings that the Council must make.

The current available balance within the "Invest to Save/Capacity Fund" of £2.5m is likely to be fully committed in order to deliver the planned package of savings. This strategy proposes setting aside £3m from the 2015/16 projected underspend to supplement the Severance Fund and a further £3m to supplement the Invest to Save/Capacity Fund. Part of the funding transferred to the Invest to Save/Capacity Fund may be used to support the transfer of some existing functions to partner organisations.

After deducting the proposed transfers to reserves from the position reported in the Financial Management report, the projected underspend in 2015/16 would reduce to £2.2m. Therefore the current projection for available uncommitted balances to support the service and financial planning strategy in future years is around £4.6m, however, it should be noted that the actual final position may be higher or lower than this depending on financial performance in the remainder of the year.

18.3 Risk Management

As an organisation which provides a vast range of different services to the community and spends in excess of £400m per annum, the management of risks is an important consideration in the budget setting process. The Council has a strategic risk register which is used to identify the substantive issues which may impact negatively on the delivery of the Council's priorities and may also have a financial impact. This is regularly reviewed by Senior Management Team to manage risks and mitigate potential exposures both as part of everyday business and as part of the decision making processes. The budget for 2016/17 also includes a number of risk-mitigating elements:

- Despite the financial challenges being faced, the Council has a clear goal to attract new jobs and investment and promote growth in the borough and is committed to an investment programme which will safeguard the prosperity of the borough – growth will result in additional council tax, new homes bonus and business rates pending any major changes to the system including the proposed introduction of 100% retention of business rates.
- A key focus of the budget is on income generation, thus reducing the Council's reliance on Government Grant in the future.
- Although very challenging, many savings have been phased over a number of years to allow adequate time for full consideration, consultation and implementation.
- Contingencies have been built into the budget: a general contingency of £2.776m; and additional one-off ring-fenced funding for Adult Social Services of £2.5m in both 2016/17 and 2017/18.
- £0.5m of one-off resources are available within Safeguarding to meet any unforeseen pressures.
- A robust monitoring regime is in place to identify any adverse variances early so that corrective action can take place. Additional in year savings targets have been delivered in recent years to meet service pressures.

- The projected financial position for 2015/16 currently shows an underspend which will be available to support the 2016/17 budget strategy and the delivery of future savings.
- The Council has £2.36m “available” General Fund balances as a safeguard against unforeseen costs (prior to any increase as a result of the anticipated favourable outturn for 2015/16). An annual review of reserves and balances has been undertaken to ensure that the level of reserves is appropriate for their purpose and to release any funds no longer required so that these can be used for service delivery. In extreme emergency circumstances, general balances and some other funds that have been set-aside for specific purposes could be used and then replaced as part of a future strategy.
- The Council holds £11.92m set aside for one-off costs associated with the equal pay settlement. This is a significant sum which will be reviewed as modelling work on the likely settlement is firmed-up.
- Capital programme resources are available, in accordance with the Prudential Code of Borrowing and capacity may exist to capitalise expenditure planned to be funded from revenue in extreme circumstances.
- As part of the provisional 2016/17 settlement the Government have issued draft guidance on a proposal to allow councils the ability to use capital receipts flexibly to fund the revenue costs of service reform. This would include costs associated with service reconfiguration, restructuring and rationalisation of staff where this leads to ongoing efficiency savings. This flexibility would apply for three years from April 2016 and apply to receipts generated from the sale of fixed assets during this period. In order to take advantage of this flexibility full Council would need to approve an “Efficiency Strategy” before the start of the year concerned.
- Invest to Save and Capacity Funds are in place to provide additional resources for priority areas and to assist with the delivery of savings.
- There is an effective Treasury Management Strategy which aims to maximise returns for the Council while minimising risks with a solid track record of exceeding income targets set.
- Appropriate insurance arrangements are in place to safeguard the council’s assets and protect against liabilities.
- Financial advice and support is provided by professional and experienced in-house finance staff, drawing on external knowledge for specific projects where appropriate.
- All reports considered by SMT and Cabinet are required to include financial and legal comments prepared by suitably qualified officers to ensure that financial and legal implications are clearly understood before decisions are taken.

These factors together with the Council's long track record of effective financial management over what has been an exceptionally challenging period of austerity which is unprecedented both in scale and duration provide comfort that the Council is in a sound financial position despite the further challenges that the Government have now presented with the latest grant announcement and that the Council is pursuing a sound financial strategy.

18.4 Inflation Assumptions and Contingencies

The Council's budget model includes an allowance for pay awards of 1.0% for 2016/17 and 2017/18 and 1.5% for 2018/19. If actual pay awards are lower than this the saving will be used to reduce the savings requirements for these years. If they are higher the Council will need to find further savings. The Chancellor has announced an expectation that public sector pay increases will not be greater than 1% pa, however after 6 years of considerable pay restraint which have seen the pay of council employees cut in real terms by just under 20% (and considerably more for the most senior staff) there is a risk that as the economy improves the Council may not be able to retain or attract suitably skilled staff to deliver services in what is now a very challenging environment.

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 and some provision for the additional costs that care providers will face as a result of the new national "living"/minimum wage. .

The base budget for 2016/17 includes a revenue contingency of £2.776m and additional one-off ring-fenced funding of £2.5m for Adult Social Services.

18.5 Single Status

The Council is planning to implement a new job evaluation scheme during 2017/18 to meet the requirements of the single status legislation. An allowance for additional costs arising from this has been built in to the budget for 2017/18 of £1.445m (net of the £0.1m cut detailed in Appendix 2). This includes the cost to the Council of the Government's new national "living"/minimum wage which is expected to be around £0.51m pa when fully implemented. This leaves just over £0.9m for further costs arising from the implementation of the new scheme. This is after allowing for existing commitments against the funding previously earmarked e.g. to meet the costs of moving away from fixed point grades and some additional payments for social workers to reflect market rates. It is in the context of introducing a local job evaluation scheme that will have a lower on-going cost than previously assumed. In addition to the ongoing budgetary provision £11.9m one-off funding was set aside several years ago to meet any one-off costs associated with implementing the single status agreement.

19 EDUCATION FUNDING – DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant is received in 3 blocks of funding, Schools Block , which is mostly delegated to schools, High Needs Block (which funds

Special Education needs placements and support, Special Schools and Pupil Referral Units and alternative provision), Early Years Block which funds provision for 2, 3 and 4 year olds.

The DSG notification for 2016/17 is £132.909m before any recoupment for academies. There is no change to the cash amount per pupil from 2015/16 but the High Needs allocation has increased by £310k.

The School Block figure represents a continuation of the additional funds to ensure 'Minimum Funding levels' for all local authorities in 2016/17. This is good news for Telford & Wrekin as this delivered £1.3m of additional funds in 2015/16, continuing into 2016/17. Most mainstream schools will receive a cash increase in funding in 2016/17 arising from increases in pupil numbers. Across the Borough this totals around 600 pupils, leading to an additional £2.8m of Schools Block DSG. Reductions in funding per pupil continue to be protected by the national Minimum Funding Guarantee (MFG) for schools which means that no school's funding can reduce by more than 1.5% per pupil, per year. However, all schools, special and mainstream, will face significant inflationary pressures in 2016/17 due to a combination of national insurance and pension contribution increases combined with pay awards and any general inflation.

The final allocation of Early Years funding for 2016/17 will be based on numbers of eligible children recorded on the January 2016 and January 2017 censuses, so the notified allocation is an initial indication only. Government indications that the funding rate for Early Years could increase in 2016/17 have not been fulfilled.

The DfE had advised local authorities to assume that there would be no increase in High Needs funding in 2016/17, so the additional £310K is a welcome addition. However, a combination of basic demographic pressures (more pupils in the area) and such factors as medical advances (children survive to school age who would previously not have done so) over a number of years has led to an increasing demand which cannot be accommodated within our current high needs provision. In November the Cabinet approved a change to our local funding formula that transferred c. £600k from the Schools Block to the High Needs Block to address this pressure. The additional grant will ease some of the immediate pressure in this area.

Pupil Premium will be allocated at the same amount per eligible pupil as 2015/16 rates.

The amount of Education Services Grant paid to Local Authorities for each pupil in a maintained school has reduced from £87 to £77. This represents a reduction of £217K in 2016/17 on what we would have expected to receive. The initial allocation is subject to further reduction for any conversion of mainstream schools to Academy status (the £77 per pupil is then passed to the academy). The budget strategy currently assumes a further loss of £346k in 2017/18.

20. EQUALITY IMPACT ASSESSMENT

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

We need to assess and analyse the practical impact on those whose needs are affected by cuts or changes. We have adopted a proportionate approach that takes into account the relevance of a proposal with regard to equality.

This is a measured response recognising that our resources are best aimed at dealing with those proposals that could have the most significant impact. In order to accomplish this we have followed a process designed to screen proposals and ensure that they are fully explored.

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

Appendix 3 details progress on equality impact actions.

21. ENVIRONMENTAL AND ECONOMIC IMPACT ASSESSMENT.

Environmental assessment is a procedure that ensures that environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment.
The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reduce their environmental impact.

The environmental assessment detailed in Appendix 4 provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.

An economic impact assessment has also been undertaken for those proposals that have a significant individual economic impact (and is also included in Appendix 4). Clearly reducing spending by the council will impact on the local economy for example through fewer people being directly employed by the council and less business being placed by the council with local suppliers as spending cuts are made. The Council adopts a proactive business supporting and business winning approach which will reduce the adverse economic impacts caused by the Government's continuing cuts to our grant.

22. COMMUNITY ENGAGEMENT AND COMMUNICATION

Targeted consultation and engagement has taken place throughout the year, related to the proposals put forward in the 2015/16 budget report. Specific proposals in this 2016/17-2017/18 budget report will be subject to consultation and engagement where appropriate, for example libraries and transport. Budget communication material will contain high level messages but will focus on those proposals which have the maximum public impact – for example libraries, reduced environmental standards, gritting, play areas, CRCs, markets, youth provision, transport for schools, adult services changes and fewer PCSOs.

As in previous years, communicating and engaging with the community on our future plans will be a key part of the budget process. Our approach is to begin public consultation on 8 January 2015, with internal communication beginning on 4 January to ensure employees are aware of the budget proposals before these become public. Key elements of communication and consultation are outlined below.

Communication of key budget messages
These will include:

- Cuts have consequences - we can no longer protect frontline services
- £80m cuts since 2010 - what we have already done to make savings and increase income
- Scale of the challenge ahead – around £30m to find by 2019 and we need your help with this
- Council Tax – implementation of the Government's 2% Social Care Precept and consultation on any additional council tax increase as after 5 years of making these available, the Government will no longer provide a council tax freeze grant to compensate authorities that do not increase council tax.
- We will be asking voluntary and community organisations if they can provide some of the services we can no longer afford to provide
- Things individuals can now do to help the Council save money

Consultation on key savings the public will see
Consultation will focus on key savings related to what the public will see including how the changes in the Council's budget will affect your neighbourhood, your community, Council charges, parks and leisure and sports and arts, transport, children and young people, libraries and adults. This will be demonstrated in a visual way using images and other tools to make this as clear and meaningful as possible for residents.

Prior to this, a first phase of communications activity will very simply explain to residents the scale and nature of the challenge that the Council and residents together face. The second phase will spell out more specific proposals in the budget.

Consultation on specific savings
During 2016/17 we will refine specific savings; this will require a different kind of timely targeted consultation with residents, service users and stakeholders. These specific consultations will help us understand the impact that these types of changes can have and may offer ways to mitigate any negative impact for our residents. We will also seek ongoing suggestions from local people for their ideas on ways in which the Council and residents can help to save more money and ways in which we can increase income.

Highlighting some simple ways that residents can help the Council to save more money
This will be an ongoing promotion asking local people to try any of a number of simple ways that they can support local services and help to save the Council money.

Our communication and engagement plan included at Appendix 11 provides further details of how people can contribute their views including:-

- Your Voice distributed to homes in the Borough at the start of December included key budget messages and signposting to the online budget page to find out more and get involved.
- Budget briefing sheets and a video highlighting the challenge the Council faces and what it has already done to make savings and earn extra income
- A survey of the Community Panel.
- An online budget survey on the budget page of the Council website – www.telford.gov.uk/budget. This will include a question around council tax. This will be widely promoted throughout the budget consultation including via a 4-page wrap in The Telford Journal on January 14. Offline versions will also be available.
- Signposting opportunities for people to get involved and give their views on the budget strategy including Facebook, Twitter, online Q & A session, write in, ring in or text.
- Public meetings and roadshows in high footfall locations giving local people an opportunity to hear about the budget and future plans and speak with Cabinet members and senior managers.
- Visits to present the budget strategy at a number of organisations and forums including the Parish Council Forum, Business Forum, Senior Citizens Forum, Young Peoples Forum and Listen not Label (user led organisation).

23. NEXT STEPS & TIMETABLE

The consultation period will run from 8th January 2016 through to 7th February 2016 in order that careful consideration can be given to the views expressed by the Council's Cabinet when preparing their final report and recommendations to full Council.

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

The Cabinet will make their final recommendations to full Council at their meeting scheduled for 25th February 2016. Full Council will consider the recommendations from Cabinet and Scrutiny/Opposition Groups on 3rd March 2016 when final decisions will be made and the budget and council tax for 2016/17 determined.

24. BACKGROUND PAPERS

- Comprehensive Spending Review Announcements – Treasury Website
- LGA Briefing on the Comprehensive Spending Review
- LG Futures CSR and Local Government Finance Settlement briefings – December 2015
- BBC News Website
- Revenue Support Grant Settlement Announcement – CLG Website
- Service & Financial Planning Report to Council – 26th February 2015
- Newcastle City Council – Heat Map.
- Municipal Journal – 8th October 2015, article by Dan Peters, "Drop In Senior Numbers".

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INDEX OF APPENDICES.

Appendix