

**TELFORD & WREKIN COUNCIL**

**COUNCIL – 3 MARCH 2016**

**SERVICE AND FINANCIAL PLANNING 2016/17 TO 2017/18**

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

**LEAD MEMBERS Cllrs K. SAHOTA and L. CARTER**

**1. INTRODUCTION**

This report seeks approval of the Service & Financial Planning strategy for the two year period 2016/17 to 2017/18 with specific budget proposals for 2016/17. This overview report, along with other linked reports on the agenda covering:-

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

form the Council's overall Medium Term Service & Financial Planning framework and proposes the service priorities and budget for 2016/17 as well as savings proposals that will be delivered over the two years 2016/17 and 2017/18 and a medium term capital programme.

The Council published its draft budget proposals for 2016/17 – 2017/18 on 5 January 2016 and they were approved at Cabinet on 7 January 2016. A one month consultation period on the Council's proposals commenced on 8 January 2016 and ended on 7 February 2016. The results of the consultation exercise are summarised in section 16 below with further information detailed in Appendix 17.

**2. OVERVIEW.**

In the Comprehensive Spending Review, the government announced that DCLG's Departmental Expenditure Limit which funds local government would be cut by a further 53% in cash terms (even more after the effects of inflation) during the remaining 4 years of this Parliament. During the last Parliament local government faced greater government cuts than almost all other parts of the public sector. In addition, the cuts to date been allocated in an uneven way across different council areas as can be seen in the Heatmap at Appendix 1. Those parts of the country with the greatest deprivation have tended to see the greatest cuts and Telford & Wrekin has been hit hard. The Council has already delivered £80m of savings, meaning that every year we

now have £1,100 less to spend delivering services to each household in the Borough. However, in the light of the latest grant settlement from government, the Council must make further cuts of £30m over the next two years.

The Council has always sought to protect front line services as far as possible but there are now no options other than to put forward some cuts which are extremely difficult and will impact on our communities. The Council is however committed to meeting the needs of vulnerable people and is increasing the budget for Adult Services and Children's Safeguarding by a total of over £3.2m next year to ensure that we are able to do so.

The Council does not want to make the changes that we are now making 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 over 20% to our Revenue Support Grant from Government next year we can no longer afford to continue to do everything that we currently do. Initial discussions with other bodies have been very positive and we hope that in some cases alternative methods of delivering some of the services that we can no longer afford will be agreed.

The Council has undertaken an extensive consultation process with 14 road show events taking place across the Borough at locations where we would be able to talk to people without them having to come to a Council run consultation event. Locations included Telford Bus Station, Newport and Wellington Markets and several supermarkets across the Borough etc. We would like to thank the many external organisations that allowed us to use their premises during this process. Two public meetings were held and a range of community groups, including the Senior Citizen's Forum, The Young People's Forum, The Town & Parish Council Forum, The Business Board, Shropshire Partners in Care etc. were visited. In total we contacted approximately **1,347** people. We gathered 788 comments and views from people who attended these events.

The Council produced two videos which were available on our website, took out newspaper advertising including a four page wrap in the Telford Journal, used social media and the Cabinet Member for Council Finance & Service Delivery participated in a number of press and radio interviews in order to raise public awareness of the very difficult choices facing the Council. Extensive information was available throughout the consultation period on the Council's website including a detailed online survey form. Paper copies of this form were also available.

In total **2,135** completed surveys were returns to the Council.

People also used a number of other methods to express their views on the budget proposal. These included letters, emails, telephone calls, the Council's 'Complaints, Compliments and Comments' process, petitions and responses made on behalf of groups. In total **366** people provided views in this way. A further **165** people commented via social media.

The Council is very grateful to everyone who took the time to attend our consultation events or who gave their views either through the survey or one of the other channels. Many people expressed their understanding of the extremely difficult choices faced by councillors and a clear majority supported a level of council tax increase over and above the 2% Adult Social Care precept assumed by the Government.

**This report sets out some very difficult choices that Councillors have had to make in the light of the continued extreme financial pressure caused by unprecedented cuts to our grant from government. The Council is having to make choices that it doesn't want to make but we have to set a balanced budget and we hope that, in the circumstances that we are in; this is a fair budget in what are extremely difficult times.**

Following the consultation process, the Cabinet has confirmed its key budget strategy proposals for 2016/17 and later years as:-

### 3. SUMMARY

1. Implementation of the Government's new Adult Social Care precept of 2% on council tax as assumed by the Government. This additional funding must be used specifically for adult social care and detailed on the council tax bills.
2. Whilst the Council's projections assumed no increase in council tax other than from the new Adult Social Care precept, a clear majority of people who responded to the extensive consultation process expressed support for an additional increase of either 1.2% (which is in line with the former council tax freeze grants that have now been abolished by the government after having offered them for the last 5 years), or 1.9% (which is just below the Government's limit for holding a costly referendum). In response to the consultation results and in order to reduce the cuts to services, the Cabinet recommend that the Council should implement a total council tax increase of 3.2% next year (including the Adult Social Care precept) and proposes that increases at a similar level for the following three years should be implemented, subject to further consultation in later years. By 2019/20 an additional £2.7m p.a. council tax income would be generated to help reduce cuts to front line services as a result of this increase.
3. In response to the consultation a number of changes to the savings proposals included in the January service and financial planning report are recommended. These are possible due to the additional income generated from a higher council tax increase than we had assumed, making good the abolition of council tax freeze grants by the Government. Changes are detailed in Section 17 and include deleting £100,000 of the cut to environmental maintenance budgets and retention of a Council "First Point" and "community self-serve" library in Newport.
4. A commitment to continue to work with partner organisations, including Town & Parish Councils and Voluntary Sector and Community Groups to seek

to identify ways to mitigate the impact of some of the cuts to services that we can no longer afford to provide. In order to support these discussions recommendations in this report include seeking delegated authority to the Director for Customer, Neighbourhood and Well-Being Services after consultation with either the Cabinet Member for Business, Neighbourhood & Customer Services or the Cabinet member for Council Finance & Service Delivery to agree allocations of funding from the Invest to Save/Capacity Fund to facilitate support packages in line with a set of agreed principles.

5. A second stage of consultation with service users about the implications of those proposals which have the greatest impacts prior to implementation of any new arrangements. This will ensure that alternative options are considered, impacts are understood and ways to mitigate adverse impacts are identified where they are affordable.

6. 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 £1.62m 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 £1.65m.

7. 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.

8. 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'**

9. 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.

10. 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**

11. 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.
12. 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.
13. 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 eleven Parish Environmental Action teams in the borough providing these enhanced environmental services to residents. Funding is now available to continue supporting these teams until the end of 2018/19.

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

14. Identification of funding to campaign for the protection of services at the Princess Royal Hospital.
15. We will improve the accessibility of our commissioned sexual health services with the development of a Town Centre hub.
16. 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.
17. 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**

18. 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**

19. 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**

20. 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 £1.62m which aims to put the Children's safeguarding budget on a sustainable basis.
21. £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 £1.65m next year as the allowance that we are making for additional cost pressures is greater than the savings we are assuming.
22. Food bank confirmed funding for another year of £30,000 that provides essential support for local families in financial crisis.
23. 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.
24. We will provide a grant of £232,000 pa for 3 years to Telford & Wrekin Citizen's Advice Bureau 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.

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 incorporates new approaches that we will 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:

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 in 2015/16 and ongoing, 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 (CSR) which set out expectations for economic growth, inflation and tax receipts for the remainder of this Parliament. The CSR 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 and included a 20.81% cut to Revenue Support Grant next year alone. This very challenging settlement forces the Council to continue to make cuts on an unprecedented scale. In addition the provisional settlement included no further council tax freeze grants despite these having been a feature of settlements for the past 5 years. Further information relating to the provisional settlement was included in the report to Cabinet on 7 January.

The final settlement was not announced until late on 8 February 2016. The only change affecting Telford & Wrekin was a reduction of £4k relating to New Homes Bonus in 2016/17. Whilst the final Revenue Support Grant was unchanged for this Council from the provisional settlement, the Government did identify £150m of additional funding in both 2016/17 and 2017/18 which was distributed to other parts of the country.

As the national funding available for 2016/17 has increased by £150m next year, the Council's core spending power is now £11.75m (8.8%) less than national average.

The Public Health grant details for 2016/17 were not received until 11 February 2016 – much later than the Government had indicated. As anticipated by the Council, the Public Health grant has reduced by £0.3m in 2016/17 and by £0.32m in 2017/18. Details of some other smaller grants were also received very late, whilst the Council is still waiting for details of some grants, which has made finalising the budget strategy very difficult this year.

It is 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.

The Council is also seeking to reduce our dependency on Government grant by working in more commercial ways. The Capital Programme report also on the agenda includes investments totalling £50m in NuPlace, the Council's wholly owned housing company and £25m in 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 its 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.

As well as extensive consultation with the public, the Council's cross party Finance & Enterprise Scrutiny Committee which also includes co-opted

members of the public held a series of meetings inviting Cabinet Members and senior officers to answer questions on the Budget proposals. Scrutiny also considered the proposals put forward by the main Opposition groups. The scrutiny findings are included at Appendix 15 of this report.

#### 4. **BASE BUDGET**

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

<b><u>Service Delivery Unit</u></b>	<b><u>2016/17 GROSS EXPENDITURE</u></b> £	<b><u>2016/17 GROSS INCOME</u></b> £	<b><u>2016/17 NET EXPENDITURE</u></b> £
Public Health, Wellbeing & Public Protection	13,345,103	10,297,267	3,047,836
Law, Democracy & People Services	5,117,488	4,757,083	360,405
Neighbourhood & Leisure Services	46,528,839	15,091,970	31,436,869
Development, Business & Employment	24,830,032	22,932,740	1,897,292
Customer Services	106,629,140	100,137,256	6,491,884
Finance, Audit & Information Governance	5,330,068	5,330,068	0
Adult Social Services	52,899,534	16,190,243	36,709,291
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	125,660,956	113,423,157	12,237,799
Co-operative Council	4,116,843	2,867,453	1,249,390

Council Wide Items	14,970,640	10,994,904	3,975,736
Netting off of Internal Recharges included above	(29,572,603)	(29,572,603)	0
Total	410,189,782	283,043,406	127,146,376
Less use of balances	3,529,000	434,750	3,094,250
<b>Net Total Base Budget</b>	<b>413,718,782</b>	<b>283,478,156</b>	<b>130,240,626</b>

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

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

**Appendix 14 gives a more detailed view, but overall the conclusion of the Council's Chief financial Officer is, that given the continued delivery of savings which now total over £80m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

## 6. **RECOMMENDATIONS.**

Members are asked to approve the following recommendations for consideration by Council on 3 March 2016:-

1. To consider the feedback from consultation summarised in Appendix 17 and from Scrutiny in Appendix 15.
2. To note the Impact Assessments contained in Appendices 3 and 4.
3. To approve the base budget in Appendix 10.

- 4.** To approve a council tax increase of 3.2% for 2016/17 (including the new 2% Adult Social Care precept assumed by the Government) and a medium term strategy of increases at the same level for the three years from 2017/18 to 2019/20 to match the period of the CSR and 4 year settlement.
- 5.** To approve the savings package detailed in Appendix 2 and the revenue pressures detailed in Appendix 2C.
- 6.** To note the commitment to continue to work with partner organisations, including Town & Parish Councils and Voluntary Sector and Community Groups to seek to identify ways to mitigate the impact of some of the cuts to services that we can no longer afford to provide.
- 7.** In order to support these discussions to approve the use of funding from the invest to Save/Capacity Fund to provide transitional funding for a Partnership Support Programme and to grant delegated authority to the Director for Customer, Neighbourhood and Well-Being Services after consultation with either the Cabinet Member for Business, Neighbourhood & Customer Services or the Cabinet Member for Council Finance and Service Delivery to agree allocations of funding from the Invest to Save/Capacity Fund to facilitate support packages in line with the principles set out in Section 19 of this report.
- 8.** To approve the policy framework for Reserves and Balances outlined in Appendix 12.
- 9.** To approve the revenue implications of the medium term capital programme for the period 2015/16 - 2018/19 set out in the Capital Programme report also on this agenda.
- 10.** To note our Efficiency Strategy/ Plan contained in Appendix 18.
- 11.** To approve the Pay Policy for 2016/17 included as Appendix 5 which has already been approved by the Personnel Committee.
- 12.** That authority be delegated to the Assistant Director: Finance & Human Resources to action any virements required following the final allocation of

the Dedicated Schools Grant and other related Education Grants as long as they are within the budget and policy framework.

**13.** That authority be delegated to the Assistant Director: Early Help & Support, in consultation with the Cabinet Member: Adult Social Care, to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006 (as amended).

**14.** That the Assistant Director: Legal, Procurement & Commissioning be authorised to execute all necessary contract documentation including the affixing of the common seal of the council as appropriate to enable the council to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006.

**15.** To note the CFO's robustness statement in Appendix 14.

## 7. SUMMARY IMPACT ASSESSMENT

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific priorities?	
	Yes	<i>The service and financial planning strategy is integral to ensuring that available resources are used as effectively as possible in delivering all corporate priority outcomes.</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>The proposals contained in this report will impact on specific groups of people. An Impact assessment, on identified savings proposals, highlights equalities, environmental and economic impacts which are included as Appendices 3 and 4. Due to the complexity of the budget setting process with a large array of proposals for savings there is potential for a number of small changes to have a large cumulative effect. We have therefore conducted a full impact assessment of all of the budget proposals, which is included in Appendix 3.</i>

<b>TARGET COMPLETION/DELIVERY DATE</b>	<i>A series of borough wide public consultation activities have been undertaken during January and early February. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered by full Council on 3<sup>rd</sup> March 2016. The final agreed recommendations will be implemented during 2016/17 and future years.</i>	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	<i>This report sets out the service and financial planning strategy for the council for 2016/17 and the medium term.</i>
<b>LEGAL ISSUES</b>	Yes	<p>The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003 (as amended) and supported by secondary legislation and guidance. This report presents the proposed budget which has been consulted upon in accordance with the Council's Policy Framework &amp; Budget Procedure Rules as contained in the Constitution to meet its Public Sector Equality duty as mentioned in the report.</p> <p>It is a legal requirement that the Chief Finance Officer must report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves.</p> <p>The Council is required by law to agree its budget for the financial year 2016/17 and to set its Council tax levels for the year 2016/17 before the 11th March 2016.</p> <p>The approval of the Council's Pay Policy Statement must, by law, be approved by full Council.</p> <p>In Accordance with regulations any vote taken at a budget decision meeting of an authority must be a recorded vote.</p>
<b>OTHER IMPACTS, RISKS</b>	Yes	<i>This report sets out the strategy</i>

<b>&amp; OPPORTUNITIES</b>		<p><i>framework which includes consideration of corporate risks – particularly in relation to the availability of balances.</i></p> <p><i>Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment.</i></p> <p><i>The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact. The environmental assessment detailed in Appendix 4 provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is positive.</i></p> <p><i>The economic impacts of the proposals are also detailed in Appendix 4 and are broadly neutral in 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.</i></p>
<b>IMPACT ON SPECIFIC WARDS</b>	Yes/No	<i>Borough-wide impact.</i>

**8. PREVIOUS MINUTES.**

- Full Council 5 March 2015 – Service & Financial Planning 2015/16 – 2017/18
- Cabinet 7 January 2016 – Service & Financial Planning 2016/17 – 2017/18

**9. OUR ORGANISATIONAL FOCUS**

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 ever-more 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 years 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 have a lower average life expectancy 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, Oakengates Leisure Centre, Telford Ice Rink, Aspiration’s fitness suites in all leisure centres and the opening of Oakengates tennis centre and Phoenix 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 drugs 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.

## 10. **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.**

## 10.1 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 process for clients.
- **“Think Family – Strengthening Families”** – to target our resources at those families most in need of support by taking an 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.

## 10.2 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. This will also 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.

### 10.3 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 its 25 year lifespan.
  - 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.

#### **10.4 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.

#### **10.5 A FAIR DEAL FOR TELFORD & WREKIN**

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.

In addition, the Government's new, more accurate, methodology for calculating spending power shows that national average spending power is £1838.22 per dwelling. In Telford & Wrekin it is £1675.46 some £162.76 less per dwelling (over 8.8%) below the average for England which equates to a total of £11.75m 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 (BCF) 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. However, there is no benefit from this in 2016/17 and only a limited benefit in 2017/18.

The Government has now chosen to fund councils differently, decreasing Government's share of funding and pushing responsibility for this back to councils to raise this locally. Figures from the Comprehensive Spending Review show that by 2020, DCLG's funding of councils will fall by 53%, while the Government expects the share directly funded by councils from additional council tax and business rates income will rise by 22% nationally.

This effectively penalises councils such as Telford & Wrekin who have kept council tax levels low in line with Government policy throughout the last Parliament. Factors that the Council will also lobby on include:-

- The Government's assumption that councils will impose a 2% council tax increase to help fund Adult Social Care as this will yield significantly less new income for a Council with a low level of council tax than those with above average rates. Over time, this gap will only widen as higher charging councils receive more income from any increases. Whilst the "improved Better Care Fund" will compensate to some extent from 2017/18 there is no recognition of the pressures faced by low council tax authorities next year and only a very limited benefit from the improved BCF in 2017/18.
- The Adult Social Care precept also penalises councils with a low council tax base. In this area, most people live in homes that are comparatively lower value than in many other council areas. Almost 2/3 of homes in our borough fall in the lowest A and B council tax bands. In contrast, in many other council areas, the average home is in the more expensive band D, or even higher, bracket. A 2% increase on a Band B home will yield less extra income for services than from a Band D home. Without any mechanism to address this, rich authorities will get comparatively richer, while the gap between these and lower council tax authorities with more lower value homes will simply grow ever

wider, amplifying differences between these areas and the services and opportunities offered to their residents.

- Both these effects also ignore the fact that areas with more lower council tax band homes generally see greater demand for the services councils provide, due to their specific socio economic factors increasing cost pressures on that authority.
- It is also the case that wealthier areas tend to benefit not just from a greater yield from council tax increases but tend to also benefit from additional income from the retained business rates system. They have also seen less significant cuts to their grants from Government since the start of the last Parliament.
- The local government finance system from April 2013 has built in a number of factors that further disadvantage the borough including:
  - Permanent loss of grant that Government had calculated should come to Telford and Wrekin but was held back through the so-called damping mechanism. This was meant to be transitional arrangement but has now become permanent
  - A permanent disadvantage to the Council from the population data lag which undercounts the borough's true population. This is of particular disadvantage to a fast growing area such as Telford and Wrekin.

These two factors alone are worth at least £10m over the life of this parliament.

The only option for a council like Telford & Wrekin, disadvantaged by its low council tax base over which it has very little control, is to make this up by increasing council tax. Yet to do so would again unfairly penalise our residents, while Government rules severely restrict the scope of any such increase. It is against this background that cuts such as those proposed by the Council in our budget have become unavoidable.

If Telford & Wrekin Council had just the average level of spending power, we would be able to avoid many of the cuts we now face including to libraries, youth services and community centres. We could also be able to cut our debt by around a quarter over the next five years.

The Council will lobby for a solution that brings the borough up to the English average spending power through a mechanism that offers some form of reward for councils like Telford & Wrekin who keep their bills as low as possible.

## **11. 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:-

	<b>£m</b>
2009/10	4.156
2010/11	6.725
2011/12	11.659
2012/13	19.069
2013/14	11.306
2014/15	17.204
2015/16	10.237 (Includes in-year Public Health cut)
<b>Total</b>	<b>80.356</b>

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 very significantly in real terms.

### **Senior managers**

- Reduced the size of the senior management team by 58% 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.
- 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.

## **12. 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, pay back debt and provide a surplus help 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 9.

Our programme of asset sales totals £51.5m over the medium term although it is assumed that the receipts generated in 2016/17 will be used to fund the revenue costs of service reform projects in line with the Government's new proposed Capital Receipts Flexibility provisions. The Government's new

approach supports not drawing down revenue reserves but increases debt outstanding and costs in future years relating to servicing outstanding debt. The planned profile of capital 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
Sub Total	51.529
Assumed use of 2016/17 receipts to fund revenue costs of reform in line with the Government's new Capital Receipts Flexibility provisions	(5.814)
Total	45.715

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.

### 13. 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 13 for the period 1st April 2015 to 31st January 2016 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.

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

### **14.1 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 have been 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.

## 14.2 Comprehensive Spending Review.

The Chancellor, George Osborne, delivered his Comprehensive Spending Review on 25<sup>th</sup> November 2015. The Spending Review 2015 report set out the government's spending plans for 2016/17 to 2019/20 and set 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 and protection was extended to many other areas of public expenditure including national museums and galleries, Defence and the Home Office but DCLG's funding for local government will receive by far the greatest cuts of any main Government Department.

### 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 DCLG's local government Departmental Expenditure Limit (DEL) over the period. **This equates to a 53% reduction in funding in cash terms**, if the impact of inflation is allowed for the cut is even greater.
- The Chancellor however said that total funding available to local government increases from £40.3bn to £40.5bn over the period. **This assumes that Councils benefit from increased BCF, business rates growth, council tax increases and the new 2% social care precept.** However, many commentators have queried the assumptions made by the Government that increases in locally financed expenditure will offset the cuts to government grants.

## 14.3 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 17<sup>th</sup> December and details were included in the report to Cabinet on 7 January. A period of consultation on the provisional settlement ended on 15<sup>th</sup> January 2016 and no details of funding totalling over £13m had been provided by the time the Council had to publish its budget proposals if we were to allow time for effective consultation with our community.

The final settlement was not announced until late on 8 February 2016. The only change affecting Telford & Wrekin was a reduction of £4k relating to New Homes Bonus in 2016/17. Whilst the final Revenue Support Grant was unchanged for this Council from the provisional settlement, the Government did identify £150m of additional funding in both 2016/17 and 2017/18 which was distributed to other parts of the country.

As the national funding available for 2016/17 has increased by £150m next year, the Council’s core spending power is now £11.75m (8.8%) less than national average.

The Public Health grant was not received until 11 February 2016 – much later than the Government had indicated. As anticipated by the Council, the Public Health grant has reduced by £0.3m in 2016/17 and by a further £0.32m in 2017/18. Details of some other smaller grants were also received very late which has made finalising the budget strategy very difficult this year.

#### **14.4 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 of Revenue Support Grant 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 in 2017. 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. 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.

The service and financial planning report considered by Cabinet in January 2016 included medium term projections. These now need to be updated to reflect changes and new information received since that report was considered. The key changes are detailed in the table below and the impact on the projected budget shortfalls is summarised below:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Base Budget Gap – reported to 7 January 2016 Cabinet</b>	<b>10,462</b>	<b>22,954</b>	<b>31,630</b>
Changes to the base gap since 7 January Cabinet Report:			
Provision to meet bus route subsidy costs 2016/17 to 2020/21	500	0	0
Provision to meet additional PET team costs to 2018/19	616	0	0
Additional Retained Business Rates	(298)	(714)	(18)
Updated WME Dividend Forecasts	(220)	(156)	(139)
Updated New Homes Bonus Estimates	(81)	1,056	2,235
Adult Social Care Burdens Grant	(183)	(223)	(231)
Additional ASC Burdens/Cost Pressures/Transitional Clients	0	188	2,042
Additional “Improved” BCF Funding	0	(500)	(3,300)
Updated Education Services Grant Estimates	0	324	577
Waste Procurement Contract Planned Funding Requirement	0	500	700
Capital Programme changes	92	309	309
Return of responsibility for Lawley Parish Street Lighting	32	32	32
General Revenue Contingency / Other	202	(23)	(239)
<b>Current Base Budget Gap</b>	<b>11,122</b>	<b>23,747</b>	<b>33,598</b>
<b>Less 2% Social Care Precept p.a.</b>	<b>(1,078)</b>	<b>(2,191)</b>	<b>(3,340)</b>
<b>Less additional income generated from 1.2% council tax increase p.a. Over and above the social care precept</b>	<b>(647)</b>	<b>(1,315)</b>	<b>(2,004)</b>
Add Pressures* - at 7 January	8,253	10,168	10,168*
New Pressures identified:			
Safeguarding - Joint Adoption Service & S17 Children in Need	209	209	209*
HCA Land Transfer - revenue implications of liability package	18	18	18*
<b>Total Pressures</b>	<b>8,480</b>	<b>10,395</b>	<b>10,395</b>
Less Savings (adjusted for leakage) - at 7 January	(18,123)	(30,244)	(27,544)
Changes to Savings	246	378	378
<b>Total Savings</b>	<b>(17,877)</b>	<b>(29,866)</b>	<b>(27,166)</b>
<b>Remaining Shortfall to be offset by further savings/use of one-offs</b>	<b>0</b>	<b>770</b>	<b>11,483</b>

**Notes:-**

- The position for 2016/17 and 2017/18 assumes that all planned and proposed savings detailed in Appendix 2 are delivered in accordance with currently anticipated timescales.
- Projections for 2017/18 and 2018/19 are broad indications and will be refined as further information becomes available.
- \*Pressures for 2018/19 have been assumed to continue at the same level as in 2017/18.

- Assumptions include:-
  - That the new “Improved BCF” will be fully available to support the Council’s Adult Social Care budget,
  - That the reforms to the New Homes Bonus scheme from 2017/18 will be in line with our projections and
  - That the 2017 Business Rates revaluation will have a neutral impact on the Council.

## **15. MINIMUM REVENUE PROVISION CALCULATION.**

The service and financial planning report considered by Cabinet in January 2016 included details of proposed changes to the calculation of Minimum Revenue Provision (MRP) and these changes will now be implemented. 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.

These changes provide benefits of £5.696m in 2016/17 and £5.338m in 2017/18 and an unbudgeted benefit of over £5.3m in the current financial year. In total the changes that have already been made and are now proposed to the calculation of MRP will generate revenue benefits of over £40m for the Council by 2019/20.

## **16. 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 to 2017/18 budget report were subject to consultation and engagement. . Budget communication material contained high level messages and focussed on proposals with maximum public impact – for example libraries, reduced environmental standards, play areas, Community Recycling Centres, markets, youth provision, transport for schools, adult services changes and fewer Police Community Support Officers.

As in previous years, communicating and engaging with the community on our future plans was a key part of the budget planning process. We launched a

public consultation on 8 January 2016 following publication of proposals on 5 January 2016. Internal communication began on 4 January to ensure employees were aware of the budget proposals before they became public. Key elements of communication and consultation are outlined below.

### **Communication of key budget messages**

These included:

- 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 and we need your help with this
- Council Tax – implementation of the Government's 2% Adult Social Care Precept and consultation on any additional council tax increase as after 5 years of making council tax freeze grants available, the Government will no longer provide these 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 proposed cuts to services**

Consultation focussed on 32 key proposed cuts to services related to what the public would see including how the changes in the Council's budget would affect your neighbourhood, your community, Council charges, parks and leisure and sports and arts, transport, children and young people, libraries and adults. The savings were demonstrated in a visual way using images and other tools to make it as clear and meaningful as possible for residents.

### **Consultation on specific proposed cuts to services**

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.

Our communication and engagement plan included at Appendix 16 provides further details of how people contributed 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 section of the Council website – [www.telford.gov.uk/budget](http://www.telford.gov.uk/budget). This survey asked resident to tell us what they thought about our priorities for the Council, 32 proposed cuts to services, views on Council Tax and fair funding for Telford and Wrekin. This was widely promoted throughout the budget consultation including a 4-page wrap in The Telford Journal on January 14 and information in the Newport Advertiser.
- Signposting opportunities for people to get involved and give their views on the budget strategy including Facebook, Twitter, write in, ring in or text.
- 2 public meetings and 14 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 9 organisations and forums including the Parish Council Forum, Business Forum, Senior Citizens Forum, Young Peoples Forum and Listen not Label (user led organisation).

In total **4,013 contacts** (figure made up of the number of people we spoke to and the number of people who responded to the consultation) were involved with this budget consultation.

The Cabinet Member for Finance & Service Delivery, Cabinet Members, the Chief Finance Officer and relevant senior managers, between them attended a number of local groups and forums including:

Group/Forum	Number of people attending
Young People's Forum	9
Senior Citizens Forum	40
Telford College of Arts and Technology (TCAT)	90
Voluntary Sector meeting	40
Listen not Label	10
Parents Opening Doors (PODS)	30
Telford Business Board	33
Shropshire Partners in Care (SPIC)	25
Parish Forum	25
<b>Total in attendance at local groups and forums</b>	<b>302</b>

This year we delivered 2 public events and 14 interactive roadshows, visiting a number of areas across the Borough giving local people an opportunity to hear about the budget and future plans and speak with Cabinet members and senior managers.

Roadshow Event	Approximate number of people
----------------	------------------------------

	contacted
Park Lane Centre, Woodside	25
Newport market	150
The Place @ Oakengates public events x 2	80
Telford town centre – Asda supermarket	150
Southwater One (first event)	50
Telford town centre bus station	80
Newport – Waitrose supermarket	100
Southwater One (second event)	30
Donnington – Wyevale Garden Centre	55
Wrekin retail park – Tesco supermarket	70
Madeley – Tesco supermarket	80
Wellington Civic and Leisure Centre	45
Donnington – Asda supermarket	55
Dawley Christian Centre	30
Wellington market	45
<b>Total (approximate) number in attendance at the road show events</b>	<b>1,045</b>

Having learnt the lessons from previous budgets, we encouraged residents to complete the survey and to not leave their comments on our social media channels such as Facebook or Twitter. The majority of messages we wrote encouraged people to go to [www.telford.gov.uk/budget](http://www.telford.gov.uk/budget) and to make their views known as part of the survey. This has resulted in a far greater reach for our message but fewer comments left on our channels. The use of videos this year has been an easier way of getting the complex message out to more members of the public. This visual and streamlined approach means that we can impart the messages more clearly and capture all the comments as part of the consultation. Communication activity to raise awareness of the budget and encourage people to get involved in the budget consultation includes the following:

Methods	Communication reach
Total reach for Facebook, Twitter and Streetlife	127,082
Advocacy (similar to likes and retweets)	351
Unique page views (individuals viewing pages) of clicks on the link to our budget web pages	7,383
Total number of page views (total number of views including repeat views). This excludes views of number of web forms.	23,051
Live Twitter discussion with Cabinet lead for Finance & Service Delivery	(1,295 – figure included in total reach)
Email opens to people signed up through News for You – 13 emails sent out and budget emails opens	31,548
Press releases	6

Radio interviews	6
Budget video views	4,905
Telford Journal wrap around	61,541 readership (Midlands News Association provided)
Newport advertiser	17,573 readership (Midlands News Association provided)
Surveys distributed to the Community Panel	1,159
Posters = 4 large poster sites, 300 A4 and 20 A3	unknown
Postcards	2,500
<b>Total communication reach</b>	<b>277,105*</b>

\*NB Some people will have been reached more than once.

The breakdown of how people responded to the consultation is as follows:

<b>Method</b>	<b>n</b>
Full Budget Survey - Completed online	1,532
Full Budget Survey – Completed on paper	213
Full Budget Survey – Completed by a Community Panel member	390
Budget Views - 1 page survey completed at roadshow event/forum	477
General Comment Received*	366
General Comment Received – at an roadshow event / Forum	311
General comments - social media	165

\*People used a number of methods to provide comments to the Council on the budget proposals, all of which have been counted here. These methods included written letters, emails, telephone calls, comments via the Council's 'Complaints, Compliments and Comments' process, petitions and responses made on behalf of groups. Wherever possible, one count represents one comment on one proposal.

Detailed consultation findings are detailed in Appendix 17

## 17. CHANGES IN RESPONSE TO CONSULTATION & SCRUTINY

The Cabinet have considered the response to the consultation from members of the public and from Scrutiny members very carefully and in response propose to make a number of changes:-

Six savings from the January 2007 Cabinet report which was approved for consultation will be deleted:-

- Old saving number 6 - increased charges for Disabled Bay applications; £2k
- Old saving number 26 – winter maintenance service; £30k
- Old saving number 27 – winter gritting call outs £55k (replaced with new efficiency target from wider service area of same value)
- Old saving number 77 - increased music service charges; £5k
- Old saving number 83 - Town Park visitor centre opening hours; £8k
- Old saving number 75 – Support for children and adults through the Creative Arts Service; £67.570k

Two savings will be put on hold and removed from the list of savings pending a commercial review:-

- Old saving number 91 - Telford Ice Rink opening times; £40k
- Old saving number 92 - Ski slope; £16k

One saving will be put on hold and removed from the list of savings pending a review to assess the scope for efficiencies/a different operating model rather than increasing charges to users.

- Old saving number 193 - Transport Age UK; £50k

Other Changes to the original list of savings proposals include:-

- Re-phase number 126 into 2017/18 - 16+ transport £25k
- Old saving number 40, Newport Library – reduced by £65k (During the consultation, the Council received many comments highlighting that Newport library is a particularly valued community asset. As well as being a library it is also a Council “First Point” and given geographical factors accessing an alternative library or First Point service would be particularly difficult for residents. However, the Council can not afford to continue to provide the current service. It is therefore proposed that the savings target is reduced by £65k in 2017/18. This will enable a First Point service to continue on reduced opening hours and a self-service community library facility to be made available. The Council hopes that it will be possible to identify ways to supplement this service by ongoing discussions with other partners.
- Old saving number 21, environmental maintenance – reduced by £100k
- Old saving number 152. (Review of short breaks offer, £25k rising to £50k by 2017/18. The contingency will be used to cover this saving should it not be achieved through the personalisation offer.

The Cabinet's top priority is to seek to protect vulnerable children and adults and the most significant single change since the proposals were issued for consultation is to increase the amount by which the budget for children's safeguarding will be increased next year by over £0.2m to reflect increasing demands on this service.

It is clear from our budget consultation that people are concerned about our proposal to reduce the number of Council funded Police Community Support Officers in 2017/18. We are pleased to report that considerable progress has been made in identifying partners that are prepared to fund PCSOs. We will bring forward the work with the police (the employer of PCSOs) and these partners to reach agreement, as quickly as possible thereby seeking to protect the 4 PCSOs currently funded by the Council.

**The reduction in the value of the savings package as a result of these changes (adjusted for "leakage") is £246k in 2016/17 and £378k in 2017/18 and ongoing.**

The increased investment in children's safeguarding increases the children's safeguarding budget by £0.209m in both years compared to that consulted upon.

## **18. UPDATED SAVINGS PROPOSALS FOR 2016/17 AND LATER YEARS**

Appendix 2 includes full details of the final savings package now put forward for approval for 2016/17 and 2017/18. Savings net of pressures and leakage total £9.397m in 2016/17, rising to £19.471m 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 £16.771m.

## **19. PARTNERSHIP SUPPORT PROGRAMME**

A key priority of this Service and Financial Planning Strategy is to work with partners including Town and Parish Councils and community and voluntary groups to find new ways of delivering services to help mitigate the impact of budget proposals and to retain and enhance local services. Funds were transferred to the Invest to Save/Capacity Fund in the Service & Financial Planning report that was approved by Cabinet in January 2016 which may, in part, be used to provide transitional funding for a Partnership Support Programme.

The Partnership Support Programme will make available invest to save funding to partners that wish to pursue new initiatives that help to deliver sustainable savings.

One off grant funding up to the equivalent of a maximum of 3 year savings to the Council will be available subject to an acceptable Business Case being provided that demonstrates how the partner organisation will make the new

service delivery arrangements sustainable in the longer term and the partner organisation matching this funding. If the partner organisation does not invest the same or greater amount than Telford & Wrekin Council, the Council's contribution will be limited to the amount invested by the partner organisation.

In addition, for partner organisations which participate in this programme up to 25% discount on services purchased from the Borough Council will also be made available as part of the support programme. The discount will operate in the following bands:-

<b>Annual Income Level</b>	<b>Discount</b>
£0 - £10,000	0%
£10,001 - £25,000	20%
Over £25,001	25%

The recommendations in this report seek approval to allow the use of funding from the invest to Save/Capacity Fund to provide transitional funding for the Partnership Support Programme and to grant delegated authority to the Director for Customer, Neighbourhood and Well-Being Services after consultation with either the Cabinet Member for Business, Neighbourhood & Customer Services or the Cabinet Member for Council Finance and Service Delivery to agree allocations of funding from the Invest to Save/Capacity Fund to facilitate support packages in line with the principles set out above.

## **20. 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 in the current year, council tax in this area is the second lowest in the Midlands region £1147.49 at Band D and is less than 2% higher than Dudley which is lowest (£1125.35).

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. If we levied a council tax at the same level as Nottingham, we would receive a further £14.6m p.a.

As well as a comparatively low level of council tax, this area also has 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.

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 undercounted our population by around 4,000 people when the baseline funding settlement for the Council was set in April 2013. We estimate that this has resulted in a further loss of grant of around £1.2m pa. in recent years.

The combined impact of the above factors is:

	£m
A comparatively low level of council tax	5.7
Grant damping figure for 2013/14	1.6
The population undercount	<u>1.2</u>
	8.5

These impacts are then exacerbated by the comparatively low average property values in this area which put the average Telford & Wrekin home in Band B rather than the national average of Band D.

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% or just over £0.6m pa.

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 did 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 further council tax freeze grants in future, the Council consulted on three options for council tax. These were:-

**Option 1 – “freeze” Council Tax** - This was in line with our financial planning assumption for 2016/17. (The total bill for Council services would 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 bills for services from this Council)

This proposed increase was equivalent to the Council Tax freeze grant that the Government had previously paid, until the Government's U-turn in approach. For the last 5 years councils were encouraged to freeze council tax and rewarded by an additional grant if they did so. A 3.2% total increase would cost Band B households 55p a week for Council services including the social care precept.

**Option 3 – increase Council Tax by 1.9%** (in addition to the 2% adult social care precept – a 3.9% total increase in bills for services from this Council). 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.

Whilst the Council had planned on the basis of only implementing the social care precept in 2016/17 and no other increase in council tax, we consulted on these three options given the severity of the financial outlook, not just for 2016/17 but throughout the remainder of the CSR period. The Council will face even tougher choices in 2018/19 and 2019/20. In view of the response that we received to our consultation proposals and the comparatively low level of council tax in this area, the Cabinet is now recommending that option 2 is implemented. This would see council tax bills increase by a total of 3.2% next year for the services that this council provides. This will cost an average Band B home 55p per week.

In response to our council tax consultation question we received the following responses:-

	%	Number
Option 1 (2%)	27.7	571

Option 2 (3.2%)	26.3	541
Option 3 (3.9%)	34.9	718
Other	11.1	230
Total	100.0	2,060

Therefore in total 61.2% of people chose one of the options to increase council tax by more than the 2% adult social care precept. Less than half this number selected option 1. In order to assist medium term financial planning, the Cabinet intend to apply increases of 3.2% for the remainder of the CSR period.

**Even after a 3.2% council tax increase in 2016/17, Telford & Wrekin's council tax would be over £80 at Band D (over 6%) less than the Midlands average for 2015/16 even if no other council in the Midlands increased their council tax at all.** However, in reality most councils are likely to increase their council tax by something close to the referendum limit now that the Government have ceased to provide council tax freeze grants and given the continued swingeing cuts to Revenue Support Grant.

The Council is acutely aware of the pressure on household budgets which is why it is not recommending an increase at a higher level which many other councils are likely to apply. However, Telford & Wrekin has sought to keep council tax as affordable as possible for many years and a balance needs to be struck between council tax levels and cuts to front line services. The graphs in Appendix 8 compare council tax increases over the last decade with inflation. Since 2006/07 the Council has increased council tax by 22.8% while inflation as measured by the Retail Prices index has increased by 34.1% (and the Consumer prices index has increased by 27.2% over the same period).

Of the £1.725m additional income that a council tax increase of 3.2% will generate in 2016/17, over 80% of this will be invested in protecting services for children and adults through the social care precept which will be ring-fenced for adult social care and the changes set out in section 17 of this report to the original savings proposals.

## 21. PRESSURES

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.

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 4 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 £1.648m 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 £0.762m 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 children's safety. **This report increases the budget for children's safeguarding by £1.621m in 2016/17 compared to 2015/16 and by £66k in 2017/18 compared to 2015/16.** 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.

## **22. ADULT SOCIAL SERVICES AND PUBLIC HEALTH CHANGES**

### **22.1 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.

### **22.2 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.

### **22.3 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 Councils 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; early discussions with the CCG indicate an alleviation of this pressure in 2016/17

### **22.4 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 Government have now published indicative grant allocations for 2016/17 to 2019/20 for planning purposes. In 2016/17 the funding reduces by 5% with around 3% decrease indicated for the following 3 years. The reduction in grant reflects the Government's view that there will be a reducing call on this grant in future years. They will now undertake a consultation process, ending on 22<sup>nd</sup> March, before final grant figures are released.

### **22.5 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. Public Health grant allocations were not published until 11 February 2016 and for Telford & Wrekin these equate to a cut of £300k in 2016/17 and a further £320k in 2017/18. 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.

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

To enable the council to carry out its functions with an increasing emphasis on integration with health commissioners and providers, it will be necessary for the council to enter into appropriate agreements under the above Act with various NHS bodies. These agreements, most usually Section 256 or Section 75 agreements are for large sums of money and enable the parties to meet their statutory obligations. Delegated authority is therefore requested for the Assistant Director: Early Help and Support, after consultation with the Cabinet Member: Adult Social Care, to enter into all appropriate Section 256 and Section 75 agreements as required by the Council with various NHS bodies as long as they are within the budget and policy framework and for the Assistant Director: Legal, Procurement and Commissioning to execute all necessary associated contract documentation.

## **23. BASE BUDGET, BALANCES AND CONTINGENCIES**

### **23.1 Base Budget**

A summary of the Base Budget position is included at Appendix 10 which shows a net base budget of £130.241m for 2016/17 before savings and investments giving a base budget funding gap of £11.122m. Appendix 11 is an analysis of the main changes in moving from the 2015/16 budget to the 2016/17 base budget.

### **23.2 Balances**

Appendix 12 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 £3.56m as reported in the latest Financial Management report as this position will change before the end of the year.

Therefore the current projection for available uncommitted balances to support the service and financial planning strategy in future years is around £5.92m, 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.

### 23.3 Risk Management

As an organisation which provides a vast range of different services to the community and spends in excess of £400m revenue 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 two years to allow adequate time for full consideration, consultation and implementation.
- Contingencies have been built into the budget: a general contingency of £3.222m in 2016/17 and £2.776m in 2017/18; 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.
- £3m has been transferred in to the Invest to Save/Capacity Fund and £3m has been transferred in to the Severance Fund during 2015/16 to support the delivery of ongoing 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. Information provided as part of the provisional settlement indicated that in order to take advantage of this flexibility full Council would need to approve an “Efficiency Strategy” before the start of the year concerned. The draft efficiency strategy is included as Appendix 18 to this report although it is currently unclear when final guidance will be issued by CLG.
- An Invest to Save/Capacity Fund is 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.

Financial outturn has been very close to the net budget set during the previous 8 years and in none of these 8 years has the Council overspent despite the severe financial challenges that it has faced:-

- 2007/08 – underspent by £0.300m (0.27% of budget)
- 2008/09 - underspent by £0.366m (0.31% of budget)
- 2009/10 – underspent by £0.332m (0.27% of budget)
- 2010/11 – underspent by £0.083m (0.07% of budget)
- 2011/12 – underspent by £1.843m (1.42% of budget)
- 2012/13 – underspent by £0.055m (0.04% of budget)
- 2013/14 – underspent by £0.099m (0.07% of budget)
- 2014/15 – underspent by £1.145m (0.89% of budget)

Despite the further challenges that the Government have now presented with the latest grant announcement, the factors above demonstrate that the Council is pursuing a sound financial strategy.

#### **23.4 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 £3.222m reflecting an increase of £0.446m since the initial report considered at Cabinet on 7 January and additional one-off ring-fenced funding of £2.5m for Adult Social Services. One-off service balances totalling £0.5m are available to support any additional pressures in children's safeguarding over and above the £1.6m increased budget allocation included for the service in 2016/17.

#### **23.5 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.

## **24. PAY POLICY**

The Council's Pay Policy for 2016/17 was considered at Personnel Committee on 11 February 2016. The Localism Act 2011 requires local authorities to produce an annual Pay Policy Statement. The Act requires the statement to detail the Council's policies in respect of remuneration at various tiers within the Council. The Act does not apply to local authority schools.

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

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

The Council's Pay Policy Statement details

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

The Pay Policy for 2016/17 is included as Appendix 5 of this report.

## **25. 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 in the Schools or Early Years blocks 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.

The final DSG allocations will not be confirmed until March 2016 for the Schools and High Needs Block, with the Early Years Block being confirmed in July 2017. Once known budgets will be updated to reflect the final grant

allocations which will require a number of virements for which delegated authority is sought. There will be no impact to the Council's overall budget total.

## **26. 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 an overall impact on the budget strategy and details progress on equality impact actions for individual identified proposals.

## **27. 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.

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

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

**Appendix 14 gives a more detailed view, but overall, given the continued delivery of savings which now total over £80m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

## **29. NEXT STEPS & TIMETABLE**

Once the service and financial planning strategy for 2016/17 has been approved by full Council on 3 March 2016 and the council tax resolutions have been decided, it will be imperative that considerable resource is devoted to rigorous financial management and monitoring by all managers and budget holders. All managers need to effectively and proactively manage their business.

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

As well as exercising tight financial control and effective financial management, managers and Cabinet Members will need to turn attention to the medium term financial strategy beyond 2017/18 in order to identify further

savings and opportunities for additional income to bridge the significant projected budget shortfalls through to 2019/20. In the CSR and subsequent Local Government Finance settlement, the Government announced a number of consultations e.g. on New Homes Bonus and the retention of 100% of business rates. The Council will need to actively respond to these consultations and ensure that the implications of the final changes are understood and opportunities are maximised and the associated risks are effectively managed. The implications of the 2017 business rates revaluation and the 2016 triennial superannuation valuation will also need to be effectively assessed and managed.

### **30. 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 – 26<sup>th</sup> February 2015
- Newcastle City Council – Heat Map.
- Municipal Journal – 8<sup>th</sup> October 2015, article by Dan Peters, “Drop In Senior Numbers”
- “Being The Change” Report by Managing Director, December 2015
- Service & Financial Planning Strategy report to Cabinet 7 January 2016

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

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

## **INDEX OF APPENDICES.**

### Appendix

- 1 Heatmap “2015/16 area change in spending power” reproduced with the permission of Newcastle City Council
- 2A Savings Proposals Summary
- 2B Detailed Savings Proposals
- 2C Pressures
- 3 Equalities Impact Assessments of Savings Proposals
- 4 Environmental and Economic Impact Assessment of Savings Proposals
- 5 Pay policy Statement 2016/17
- 6 Council Tax Comparison (at Band D) – Midlands Councils
- 7 Council Tax Comparison (at Band D) – Unitary Councils
- 8 Council Tax Increases since 2006/07 compared to Inflation
- 9 Financing costs to net revenue stream 2015/16
- 10 Base Budget
- 11 Analysis of Base Budget Movements
- 12 Reserves and Balances
- 13 Details of Education related Section 106 Agreements
- 14 CFO’s Robustness Statement
- 15 Scrutiny Response
- 16 Communication and Engagement Activities Undertaken
- 17 Results from Communication and Engagement Activities
- 18 Overview of our Strategy /Efficiency Strategy & Plan