2016/2018

Alternative Budget Proposals

from the

Main Opposition Group

of

Telford & Wrekin Council.

Published 14th January 2016.

1. OVERVIEW.

The Opposition key budget strategy proposals for 2016/18 include:-

Budget Deficit: –.

Freezing Council Tax for 2016/17 - We continue to support the freezing of council tax rates as originally promised by the Council's Labour Administration. However, given our previous support and defence of the 'under pressure' Adult Social Care budget and the eventual u-turn by the Labour administration last year to increase funding, we support the opportunity to set a 2% precept with funds ring fenced to support this vital function.

Protecting Adult Social Care – We support the proposals to increase the budget for adult social services and children's safeguarding in 2016/17.
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Debt Reduction – During 1998/1999 Telford & Wrekin Council enjoyed a healthy position of having +£72m net cash in hand. This position has deteriorated significantly over the intervening years and in particular the past 4 years; worryingly the current net position at 31st March 2015 stood at -£113m. (See graph on Page 4). In parallel, prudential borrowing is expected to reach £261.6m including the commitments in the Administration's latest medium term financial strategy.

We propose a significant change in policy direction with the aim of bringing the burden of debt down to a sustainable level. Our proposals reduce debt by £72.2m

Reduction in Risk – Given the challenges the Council faces, we recognise that Local Authorities, including Telford & Wrekin, must move into areas which will provide additional opportunities for income generation. However, the current administration's strategy of diversifying into speculative areas where the Authority has no expertise is open to external risks beyond the Council's control. This may adversely impact the Council's future financial security and the ability of future administrations to provide services.

We believe that Telford & Wrekin Council should focus on marketing its core activities which it knows well and thereby reduce the impact that risks present. To achieve this we propose significant asset disposals.

Settle Single Status – During 1997 the then Labour Government compelled all Local Authorities to standardise pay across its workforce. This scheme was never settled at Telford & Wrekin but local tax payer's money has been diverted into a contingency fund which now stands at £11.9m. (Payments into this fund were halted by the last Conservative Administration in 2010/11)

We believe that this issue must be settled over the next 12 months and residual monies (which may be considerable) allocated to support front line services.

Bring forward Living wage - We propose to introduce the living wage at £8.10 from 1st September 2016 – giving the lowest paid within our workforce a living wage for the first time. This is in contrast to the current Administration which talks of a living wage but only announces redundancies.

Development of the Borough/ Local Plan - We do not accept the Housing target of 15,555 new houses set by the current Labour Administration. We believe it to be unsustainable and will place a huge burden on the Borough's infrastructure. The Council's own Housing Needs Survey has specified a need figure of only 9,940

The Conservative Group's response to the Council's Local Plan, supports building a total of 12,500 new dwellings (20% lower than that suggested by the current Labour Administration). This will reduce future costs and pressure and on the Council to support infrastructure, education, Health and social services for an ever increasing population. This approach will also remove the need to build homes on Greenfield sites and the Council's own planned incursion into open countryside on 'Site H1' at Muxton and Lilleshall.

We will initiate and fund a complete review of the Administration's Local Plan Proposals and recent consultation and have set £100k aside for this review.

Highways

We remain committed to investment in highways, and will work with officers to evaluate how best to achieve this whilst reducing overall debt.

Council 'Prudential Borrowing' – During May 2011 the incoming Labour Administration criticised Conservative "Prudential Borrowing" commitments used to fund Borough wide regeneration, which then stood at **£117.9m.**

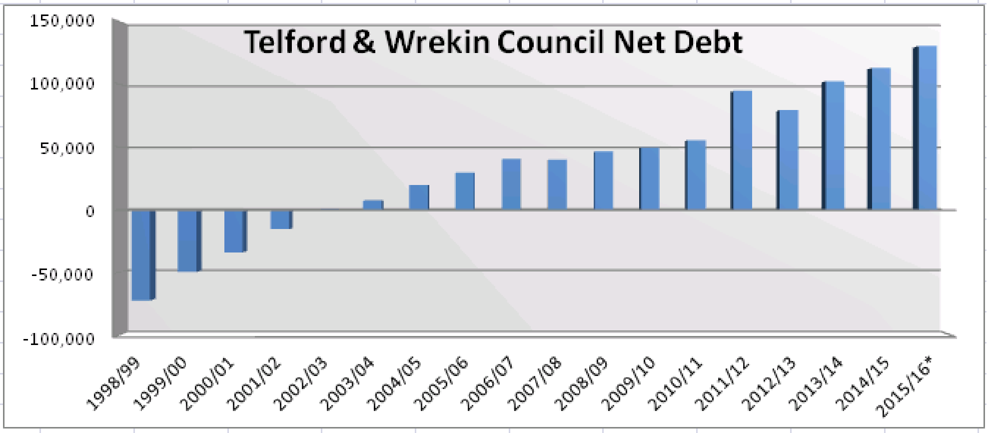
As a result, Labour's "*100 Day Budget*" of summer 2011 reduced Prudential Borrowing to **£91.1m** (a reduction of £26.8m). However, the Labour Administration's Prudential Borrowing commitments have since increased to unprecedented levels and are currently projected to reach an anticipated record **£261.6m** after only 4.5 years of the current Administration.

Although much of this additional debt is envisaged to generate a greater revenue return than the cost of borrowing, the exposure to a future change in circumstances, legislation, technology or solar farm feed-in tariffs etc could prove a very significant risk in the future. Furthermore a significant proportion of this debt is invested into speculative areas such as commercial and residential property.

We do not agree with this '*tax and spend*' approach and will seek to reduce borrowing levels to safer and more sustainable levels.

Year	£m Net Debt
1998/99	-72.149
1999/00	-49.637
2000/01	-33.900
2001/02	-15.358
2002/03	0.232
2003/04	7.054
2004/05	19.668
2005/06	29.427
2006/07	40.543
2007/08	39.881
2008/09	46.219
2009/10	49.232
2010/11	55.227
2011/12	94.609
2012/13	79.188
2013/14	102.073
2014/15	112.836
2015/16*	130.419

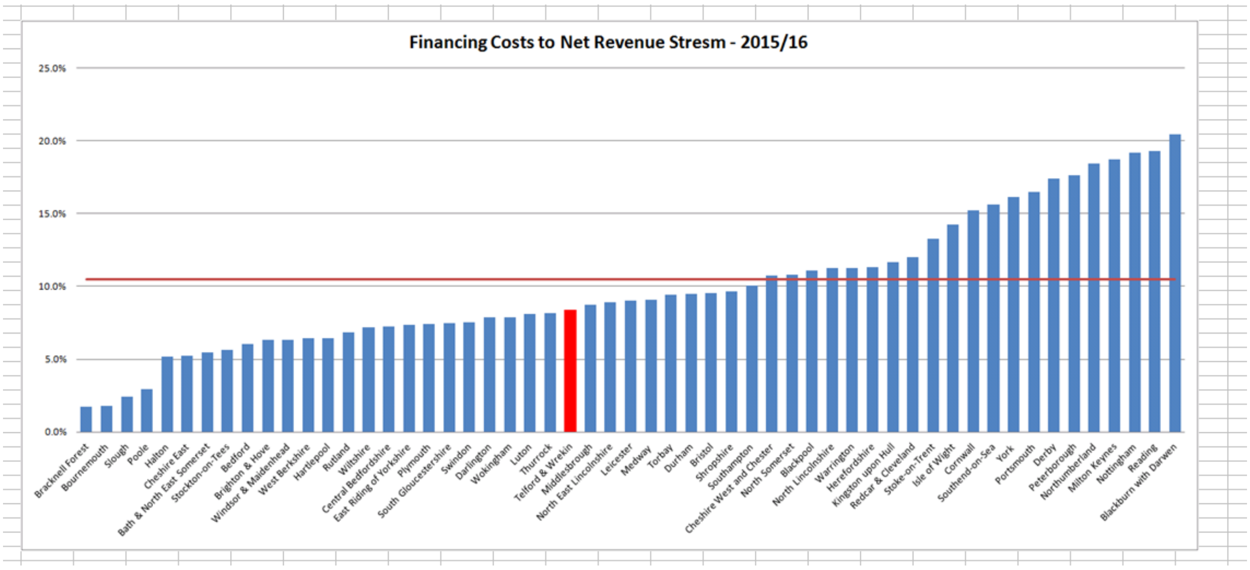
*at 31 Dec 2015



As can be seen from the graph above, the council has moved from having £72m cash in hand to £130m net borrowing at December 2015. The trend is clearly one of rising debt.

We are concerned that this level of debt will continue to increase given that further phases of Nu Place (Council's housing development scheme) are already planned together with other projects.

Debt as a % of the Revenue Budget



Currently around 8.4% of the Revenue budget is taken by debt charges, this is with a current average interest rate of 3.56% and net debts of £130m at December 2015. However, the current strategy will see prudential borrowing rise to £261.6m

We consider that, at the present time, any increase in debt charges which increase the portion of principal repayment and interest charges as a percentage of the revenue budget above current levels is both unwise and taking a gamble with public finances. As a result, future budgets may be exposed to greater debt charges.

Moving up the Risk Curve

T&W faces a number of challenges in the coming years, each of which present changes which will increase the risks which the Council will face. Changes such as costs, services provided by the Council and funding sources are set to change the face of Local Government fundamentally.

Risk 1 – Move to local funding

Central government is rightly moving forward to make local authorities responsible for their own funding; the proportion of business rates that can be retained locally is being increased whilst the Revenue Support Grant is being reduced. Whilst we welcome the freedom and control that this gives back to Local Authorities, it could also have the affect of increasing risk. It appears that a time will soon be reached when there is no RSG and all Councils are self funding.
Funding is therefore moving from being a proportion of the national budget and AAA credit rated, to one being based on a more volatile local market and into an organisation that is smaller and without its own credit standing.

These changes and pressures need to be understood and managed by both Officer and Political Leadership to successfully carry the Authority forward. It is clear from the stance taken at the last General Election that the fiscal policies of both major parties were extremely close when dealing with the matter of public finance.

Risk 2 – Final Salary Scheme

The Council is a member of the Shropshire Pension Scheme; this is a final salary defined benefit scheme and is currently underfunded. Historically the scheme has been funded by a combination of employee and employer contributions. The resulting deficit has then been met by the Council via Council Tax Payers, as a proportion of the total scheme deficit.

Whilst the retirement age is rising nationally, the longevity of the scheme members has been rising even faster, this means that a growing deficit fails to be funded by the Council. The deficit is assessed every three years by actuaries, under a triennial review arrangement. Reviews over recent years have consistently meant increased costs. As a result Telford & Wrekin Council has historically chosen the minimum acceptable funding increase.

As the size of the council workforce has reduced, due to savings already made, the size of the council's budget has fallen, despite which contributions to the scheme have increased. This means that the percentage of Telford & Wrekin's revenue budget allocated to pension contributions is rising and will continue to do so.

Risk 3 –Investment Profile

Commercial Property

The council has a property investment portfolio as a legacy of TDC (the old Telford Development Corporation) which is used to fund the liabilities for maintaining open space etc also inherited from TDC. Commercial property is an unpredictable and volatile market area. However parts of the Council's commercial estates require significant investment to bring them up to an acceptable condition and standard. Also, standards will need to be maintained elsewhere to retain existing occupants and attract new businesses to the Borough.

Residential Property

The Council has decided to diversify into a new area where it has no recent or commercial experience; T&W was a housing authority until 1999 but has no recent experience in residential property development, provision or maintenance.

This market is becoming challenging as the Government is making changes to the tax system to reduce the attractions of this type of investment. Future legislation could also affect limited companies such as NuPlace, including 'right to buy' which could fundamentally affect the current or future business case for such speculative developments.

Solar farm

The council has invested in speculative investments such as a solar farm where again it has no experience whatsoever. Changes in tariffs and new technology could seriously affect the future viability of such long term ventures and generate future risk and pressure on future Council budgets.

Risk 4 – Accounting changes

Changes have been made to MRP calculations, which reduce present debt charges but increases them in future years. Although actual cash payments remain the same debt payments in future years increase the pressure on budgets to come.

We support this strategy but recognise it magnifies risk when implemented at the same time as other proposals just highlighted.

Risk 5 Debt funded approach

The expansion of the Council budget is mostly funded by borrowing via the Public Loan works board. Whilst the availability of funding is not an issue interest rates are unlikely to remain at current levels in the long term. However, as interest rates rise, the funding cost of this debt will increase. The revenue budget in future years will have to carry the impact of increasing interest rates.

Risk 6 Capping

Currently council budgets are capped preventing funding from being increased other than by nominal amounts (currently 4%). The Council must be clear on which services it is to continue to provide as costs of current services provision rise, particularly if the ability to raise income continues to be capped.

Risk 7 – Political Driven Growth Agenda

During 2011, the new Labour administration initially embraced a lower debt approach via their 100 day budget. However, since then Debt has almost trebled from £91.1m to a projected total of £261.6m after all current committed schemes have been completed

Growth was initially targeted to be achieved via increased planning approvals leading to increased council tax and new home bonus income. Public opposition to this has been significant and understandable, which has led to pressures for alternative growth approaches to be adopted.

The growth is now being achieved via a move into more speculative and risky assets as already mentioned.

This represents a danger to the Council, which has not been fully understood by the current political leadership, given that over the period 1988 to 2008, property companies, banks and building societies, such as HBOS and NRAM (Northern Rock) have failed due to over expansion into these exact same areas.

The Council budget is therefore increasingly vulnerable to subsequent market shocks and external events.

The trend of increased indebtedness is likely to continue as we are already aware of future planned phases to Nuplace.

Borrowing is a form of deferred tax increase, which is rapidly increasing the burden on future tax payers.

REVIEW OF THE CURRENT ADMINISTRATIONS RAPID DEBT LED APPROACH

We consider the current Administration's approach to be flawed and represent an unbalanced strategy and a business model with inherent vulnerabilities arising from an excessive focus on capital expenditure, asset growth and reliance on debt to generate short-term profitability.

This approach is permitting the Labour Administration to pursue a rapid and uncontrolled growth of the Council balance sheet, which may lead to over-exposure at the peak of the economic cycle. The risks involved are either not identified or, where identified, do not appear to be fully understood by the controlling Cabinet of the current Council.

T&W's underlying balance sheet weaknesses makes Telford & Wrekin vulnerable to market shocks in the event of crisis of the financial system or change in global conditions.

The Council's balance sheet contains valuable assets, but these are assets which are not realisable such as schools and highway infrastructure. The balance sheet once these assets are excluded is considerably weakened.

Our concerns

The current strategy:-

- A risk assessment process that has been inadequately considered by the political leadership of the Council.
- Insufficient focus on risk management or modelling.
- Insufficient testing and political challenge by Cabinet.
- The political leadership continually refers to good and bad debt but fails to demonstrate a balanced assessment of the risk the council is facing.
- The decision to expand growth in council assets is intended to provide diversification. In practice, it increases Telford & Wrekin Council's overall exposure to higher-risk property. The Cabinet is failing to identify the extent to which Telford & Wrekin Council is ascending the risk curve.
- A key feature of T&Ws balance sheet is its increasing concentration in property, particularly commercial property assets, residential property and the solar farm.
- Diversity into areas where the Council has no prior experience.

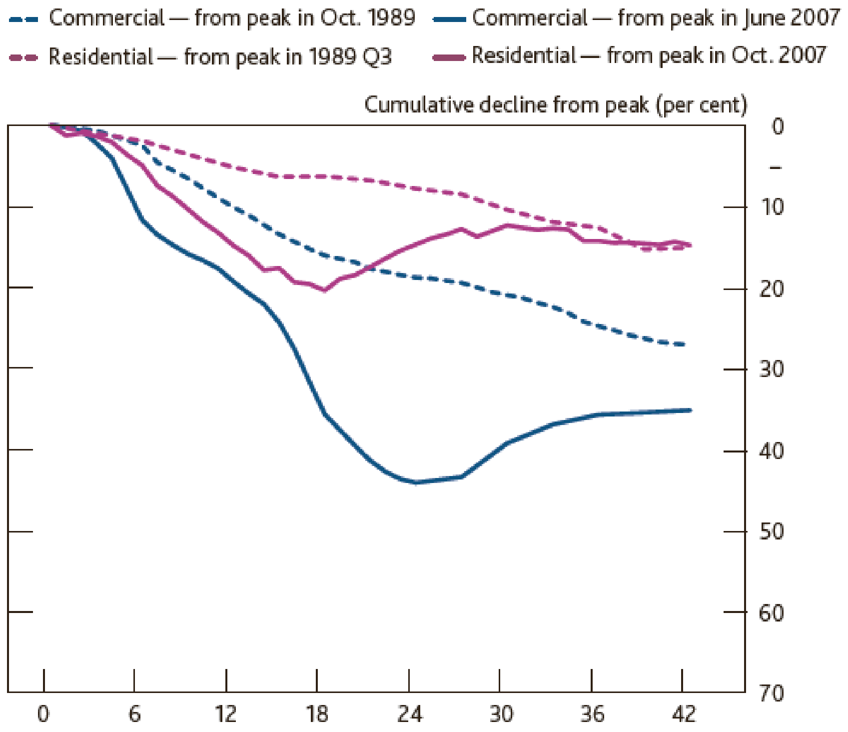
Cabinet members lack sufficient experience and knowledge of finance. Of the councillors who serve in the Cabinet, none have a background in Finance or Accountancy.

We would commit to keeping debt levels to a more manageable level and introduce a more rigorous culture of Risk modelling.

Commercial property

The UK commercial property sector has had a turbulent history. In the past 40 years there have been significant price rises followed by dramatic falls in the early 1970s and 1990s, as well as in the more recent financial crisis, with each period associated with a large build up in lending followed by de-leveraging. Fortunes in this sector can rapidly reverse, affecting a large number of market participants. The proportion of quoted property companies making a loss rose from zero to almost 30% between 1988 and 1992 and 25 banks failed or closed down as the market turned turn in the period up until 2008

Chart 2.11: UK property price falls in recent recessions[a]



(a) Source: Halifax, MSCI, Nationwide, Thomson Reuters Datastream and Bank of England calculations.

Proposed Actions to de-risk the balance sheet

- Cancel the proposed additional Property Investment Portfolio (PIP) borrowing of £20m.
- Dispose of the Solar Farm.
- Dispose of Nuplace property development.

The above actions will result in capital receipts totalling around £72.2m which would reduce prudential borrowing from the current projected total of £261.6m to £189.4m The Conservative Group would fund the additional revenue cost arising from making these adjustments from further savings.

Stress testing Telford & Wrekin Council

As all local authorities are different, there is no universally accepted approach to “stress testing” local authority budgets against the potential impacts of major economic setbacks; whether these arise as a result of local factors e.g. the closure of a major local employer, or national or international setbacks. However, the Conservative Group believe that the Council should prepare now for what will inevitably occur at some point in the future. Impacts on the Council from a major recession would potentially include reduced income from business rates, increased bad debts, higher council tax support payments, reduced income from the Property Investment Portfolio and additional cost pressures e.g. children’s Safeguarding. It is the Conservative Group’s view that the Council would be in a much stronger position to deal with such setbacks if debt levels and exposure to “high risk” assets was reduced from the levels approved by the current Administration. Whilst Full Council approves a set of prudential indicators when setting the budget each year, we believe that a number of further factors should be taken in to account including:-

Controlling the amount of council debt per property which currently stands at £3,605 and would reduce to £2,610 under our proposals.

Limiting the amount of the revenue budget taken up by debt interest charges (Currently interest on outstanding debt consumes 10.48% of projected council tax income).

If adverse economic factors or national political factors resulted in a 10% reduction in total council income, these commitments would increase to 11.65% of council tax income or 4.89% of net revenue stream – all other things being equal.

Such a significant impact arising from a sudden loss of income would force an immediate review of all revenue budget commitments (and reserves) and the implementation of emergency budget savings which would be much easier to deliver if the proportion of the revenue budget committed to fixed debt repayment costs was lower than proposed by the current Administration.

Single Status

Given that the workforce size has decreased steadily over the period 2011 to the present time and that the accrual for single status is a calculation based on a percentage of employment costs, we feel it is now prudent to reduce the accrual by £1m, which still leaves £10.9m available towards future settlement.

Given the long period of time that has elapsed since the inception of this process, we feel it is now time to negotiate a settlement with the Council's workforce, this will: -

- Remove uncertainty for the workforce.
- Allow for better future planning.
- Save on officer time as the issue will be resolved.
- Allow for additional savings to be made and released to the Revenue budget/ revenue reserves at a time when difficult service decisions are necessary.

DEVELOPMENTS

Partnering with other authorities – We believe that significant savings can be achieved over time by partnering with adjacent authorities. Part year savings of £125K are included as a part of this proposal in line with our recommendations made last year.

Revenue opportunities We favour the formation of Centres of Excellence at the Council, which can then market their services to other public sector bodies. Our low cost base and stable workforce is a key advantage meaning that we should be able to secure work from other public bodies outside of our local area. **An example of this: -**

Children's services which persistently fail young people could be taken out of the Councils' hands and given to other high-performing local authorities, children's charities or "teams of experts", under plans unveiled by the current Government. The Education Secretary has told local authorities that improving children's services is not just about money, but about finding a different way of doing things.
We must make sure that we scrutinise every line on the budget and accept that we cannot improve services by doing "*the same old thing in the same old way*."
High-performing local authorities, charities and experts could be brought in to turn children's services around – often by acting as sponsors, forming "trusts" to take over from authorities that are judged to be failing.
An opportunity therefore exists to provide our better performing services to other local authorities.
Significant income from other local authorities could be generated via this approach and considerably increased in the future by actively marketing our expertise across the broader public sector.

The Approach

Currently T&W has some success with generating external income, but this has been limited to opportunities within the local area. We propose to market our services nationally and will work with officers to find the most appropriate model and opportunities.

Set up costs of £750K will be transferred from the Invest to Save/Capacity Fund for this purpose.

There are a number of areas within the council which can be usefully shared. These include: -

<u>Partnering</u>

- Payroll
- Internal Audit
- Finance Team
- Legal
- Treasury management
- Senior Officer Team
- Architectural Services
- Highway maintenance
- Human resources

<u>New Revenue Opportunities</u>

- Children's services
- Planning
- ICT

Spending Review – As indicated within our 'Pilot proposals' for the Council's Leisure Facilities last year, designed to give Council managers greater commercial freedom, we favour a smaller central structure at the Authority, which currently costs the

Council over £12m per year, in favour of wider competition for the provision of services. T&W Council is now a much smaller organisation than it was 4 years ago which, given the likely direction of travel over the next few years, is likely to become smaller still. It is no longer the authority for which the current structure was designed.

We will commence a major spending and structure review to free up the ability of Managers to manage and provide services.

Youth and Adult Unemployment – We continue to fully support the Council's initiative for reducing Youth Unemployment and welcome the recent reduction over the past 12 months in the Borough's unemployment totals.

However, Youth Unemployment represents only part of the challenges in this area and we would like to build on this success and in addition, launch an initiative for adult unemployment.

The Borough's modelled rate of unemployment (16-64 year olds) was 5.4%, which is lower than regional and national comparators. (Eng 5.6%, W-Mids 6.2%)
Youth unemployment is estimated at 12.8% and is below regional and national comparators of 15.6% for England and 16.1% for the West Mids. (We are due an update on Wednesday 20th January; however the latest information available is for the period of July 2014- June 2015)

The effect of redundancy and job loss can have a debilitating effect on the self-esteem, health and living conditions of people who have a wealth of experience and a great deal to offer.

To provide support and reduce both adult and youth unemployment, we would allocate £0.5m from the Invest to Save/Capacity Fund.

The equates for example, to 78 new Apprentice roles for one year, or a lower number of adult training roles. if all the roles filled were for Apprentices then given the number of around 1,400 unemployed young people in the Borough, this would be a reduction of over 5%" We would work with Officers to devise a suitable Adult scheme, the end result of which being a reduction in both Adult and Youth unemployment, through year long training and work experience placements. The actual outcome would therefore be a mix of Adult and Youth employment opportunities.

Rights of Way

Surprisingly, two thirds of Telford & Wrekin is rural and the enjoyment and access to our countryside is an important resource to be enjoyed by the community. The health benefits of walking are well known and may have a greater benefit to the community than the offer of free swimming which has now been withdrawn.

This budget has been underfunded by the current Labour Administration and it is proposed to provide an additional £0.1m to enhance the work of the authority in both rural and urban areas on top of the existing proposals.

Highways

We remain committed to investing in the highway infrastructure of the Borough, as outlined in our previous budget proposals but given the dramatic increase in debt by the current Administration we would wish to launch a comprehensive review of all assets to find the most effective way of investing fully in the infrastructure whilst reducing the debt level down to a manageable level. This will require extensive officer time and is therefore outside of the scope of this budget proposal.

Education

We propose to set aside £0.075m for an urgent review of school places across the Borough due to: -

The cut in the number of Secondary School places made by the current Labour Administration at a time of unprecedented house building

The current Labour Administration's proposal by to build a total of 15,555 new homes across the Borough. (When the Council's own Housing Needs Survey suggests less than 10,000 are needed.)

The belated action taken by the current administration to obtain capital monies from Housing Developers to build new Secondary Schools in the Borough which has left a budget shortfall.

REVIEW OF STAFF TERMS AND CONDITIONS

Given the difficult financial position of the authority, it is necessary to review the terms and conditions of staff and streamline the benefits available.

OTHER SAVINGS

We have identified a number of roles and functions that can be undertaken by other team members and our proposals include the removal of

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

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

Review of the Labour Administration's Proposals.

There are some areas of the Administrations budget which are supported, such as the separate precept for Adult Social Care. However, we disagree with the potential for Council Tax increases implied in the Administration's consultation exercise and our budget proposals keeps any further Council Tax increase this year to zero.

The Super CRC site proposed is welcomed. This u-turn reverses the short sighted suspension of the previous Conservative Administrations proposals which would have gone ahead in 2011/12 had Labour's 100 day budget not frozen this project. This site would already have been operational and the savings already available to the Council.

We fundamentally disagree with the Labour Administration's plan for the Borough's Library Service: -

"*The aim of the review is to close the following libraries: Dawley, Donnington, Hadley, Madeley, Newport, Stirchley, Mobile Library Service."*

The Administration's aim to close the above Borough libraries is without strategic thought and tantamount to a 'slash and burn' approach.

In particular, with proposals to retain two major libraries at the centre of the Borough, the high usage of Newport (76,750 visitors) and Madeley (36,500 visitors) clearly demonstrate the strategic need for also retaining and supporting these two facilities in the north and south of the Borough.

Consequently our budget proposals cancel these suggested closures.

We are aware of a different approach undertaken by a number of local authorities through the formation of a 'Public Service Mutual' as a vehicle for library service provision to ensure libraries not only remain open but prosper whilst delivering savings to their respective Local authorities.

We would approve funding from the Invest to Save/Capacity Fund to explore this proposal.

The four year Grant settlement from Central Government implies that additional savings will need to be identified for future years. Our approach will be to work with officers now to identify additional savings and bring them forward to 2016/17 and 2017/18. However given the amount of officer time this would require, we have shown balances as being used in their place which would allow time for appropriate alternative savings to be identified.

Summary of Budget proposals

Budget Summary

	2016/17 £ m	2017/18 £ m
2016/17 Projected Budget Gap	**10.462**	**22.954**
Add: Revenue cost Asset Sales	1.079	0.705
Investments		
Cost of Accelerating Govt. Living Wage Increase	0.035	0.240
Education - Review of Secondary School Places	0.075	
Development of Borough/Local Plan	0.100	
Rights of Way	0.100	
Total Investments	**0.310**	**0.240**
Deletion of Administration Savings		
Savings Proposals (net of pressures)	(9.870)	(20.076)
Add Back Savings Re-instated:		
No 7 - Burials element	0.020	0.045
No 12 - Seasonal Permits	0.004	0.004
No 18 - Bulk Collections	0.000	0.030
No 21 - Litter	0.180	0.180
No 36 - Madeley Library	0.000	0.117
No 40 - Newport Library	0.000	0.122
No 66 - School meals	0.040	0.080
No 76 - Music officer	0.010	0.010
No 91 - Ice rink	0.040	0.040
No 92 - Ski Slope	0.000	0.016
No 93 - Wellington	0.015	0.075
No 95 - Leisure	0.060	0.180
No 126 - 16+ Transport	0.025	0.025

No 152 - Short Break Officer	0.025	0.050
No 157 - Transport	0.100	0.400
No 165 - Youth Clubs	0.151	0.302
No 166 - CSO	0.000	0.121
No 193 - Age UK	0.025	0.000
	0.695	1.796
Destination Telford ceases	(0.160)	
Joint Working	(0.125)	(0.125)
Revenue from 2% Social Care "Precept"	(1.078)	(2.178)
Other Savings including Trade Union costs	(0.100)	(0.100)
One off single status reserve		(1.000)
One-off Use of Balances	(1.213)	(2.216)
Total Benefits	**(11.851)**	**(23.899)**
Residual Budget Gap	**0.000**	**(0.000)**

Conclusion

Our alternative strategy represents a major departure from the current Administrations strategy.

Our proposals:-

- Reduces Debt by £72.2m,
- Reduces the risks the council faces
- Proposes a new strategy for incremental income generation.
- Reduces Union Subsidies
- Accelerates implementation of living wage
- Increases the number of Apprentices in the Council by 78 for 1 year
- Better planning for school places.
- Review and Revise Shaping places
- Review rights of way
- Reduces the extent of service impacts and reductions

<u>Budget Proposals prepared by: -</u>

Councillor Adrian Lawrence FCA

Councillor Dave Wright

Councillor Andrew Eade

ROBUSTNESS OF THE ALTERNATIVE BUDGET STRATEGY PROPOSED BY THE MAIN OPPOSITION GROUP.

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.

The alternative budget put forward by the main Opposition group will be considered by full Council on 3rd March 2016 and it is therefore appropriate that a view on the robustness of the alternative budget proposals is provided.

The proposals put forward by the main Opposition Group are substantially the same as those put forward by the Administration including the same assumptions on:-

- Income generated from council tax and from implementing the social care precept.
- Investments, pressures and the transfer of funds from the 2015/16 projected underspend to fund one-off costs associated with the delivery of future savings. However, additional one-off investments of £0.275m in 2016/17 relating to reviews of policy on school places, "Development of Borough/Local Plan" and Rights of Way are included. Acceleration of implementation of the Government's "Living Wage" is also proposed at a cost of £0.035k in 2016/17 and £0.24m in 2017/18.
- The overall savings package, although savings totalling £0.695m in 2016/17 rising to £1.796m in 2017/18 are not supported and additional savings totalling £0.385m in 2016/17 and £0.225m in 2017/18 have been included.
- The capital programme although a reference to further (unquantified) investment in highways is referred to.

Key areas of difference include:-

- A proposal to reduce debt levels by not proceeding with/selling some of the commercial investments included in the Administration's proposals. This would have the effect of ultimately reducing debt levels by £72.2m compared to the Administration's proposals. However, there would be a revenue cost arising from losing the assumed profit from these schemes (i.e. excess of income over the cost of debt charges and operating costs). This revenue cost is £1.079m in 2016/17 and £0.705m in 2017/18 and has been built in to the summary shown on page 15 of the Alternative Budget report.
- A proposal to reduce the number of new homes to be built in the Borough by just over 3,000. Under the current local government finance system this would have a financial impact on the Council as income from council tax and New Homes Bonus would be around £6m pa lower than would otherwise be the case. However, this is unlikely to affect 2016/17 or 2017/18 significantly.
- Transferring £1m from the one-off funding set aside for single status in advance of being in a position to model the financial implications of the potential single status settlement. However, a balance of £10.8m would still remain in this provision.
- Commitments of £0.5m to fund 78 new Council apprentices for one year and £0.75m to fund a project to generate additional commercial income over and

above that already built in to the Administration's proposals. These commitments totalling £1.25m would be funded from the Invest to Save reserve.

- Use of one-off resources to balance the budget (over and above the call on the Invest to Save reserve) of £4.429m over the two years. Assuming that the £1m taken from the single status provision is not required for single status, this would use £3.429m of the £4.6m one-offs currently projected to be available at the end of 2015/16, leaving only around £1.2m of useable one-off balances available. Reducing available one-off balances to this level is a higher risk strategy than seeking to deliver the ongoing savings that are required without reliance on the use of one-offs but use of balances allows time for Officers to develop further ongoing savings proposals.

Additional comments:-

- As Chief Financial Officer, I consider the investment strategy that has been adopted by the Administration to be sound and entirely reasonable. Clearly there are risks in implementing such initiatives but there are also financial risks in managing many aspects of the Council's Budget and in seeking to generate additional income from trading, which is a feature in both the Administration's and Alternative Budgets. The issue is to ensure on-going effective management of these risks across the organisation and the track record of the Council to date of robust financial management, in an extremely volatile period of major reductions in Government funding, is very strong. Despite very significant financial challenges the Administration have consistently delivered financial outturn within budget and the Council's accounts continue to receive an unqualified external audit opinion. Income from NuPlace, the Solar Farm and the proposed additional PIP investment represents a small percentage of the total council budget. All reports considered by Cabinet include details of financial implications and major projects are, in my opinion, effectively managed – including the management of risks.
- Most support services generate income from schools and other external clients. The proposed sharing of these services could potentially jeopardise this income or result in some of the benefit being shared with another Council. Therefore specific proposals would need to be subject to consideration of a business case to understand the full implications for the council including any penalties for early termination of IT supplier contracts and one-off project costs.
- The proposed "major spending and structure review to free up the ability of managers to manage and provide services" referred to on page 12 of the report could potentially jeopardise significant income of around £7m pa currently generated from schools and other external clients if it was deemed to indicate that the Council itself does not have confidence in the value for money offered by the council. The details of how this review would be undertaken and the potential implications are not sufficiently clear at this stage but potential issues include, a risk that costs increase if duplication in systems and processes arises, e.g. if several managers go through individual contract specification, tendering and monitoring exercises. Additional costs could also potentially arise if some managers decide that for example they do not wish to purchase HR advice and create equal pay or equalities issues that result in claims against the Council or if statutory requirements such as EU procurement legislation were not complied with when purchasing goods and

services from external suppliers. The Council may also need to incur additional costs if for example in order to prepare the accounts for the council as a whole, information has to be drawn from a number of different financial systems all needing interfaces in to the corporate system to be prepared etc. However no savings assumption has been set for the project.

However, the overall budget for 2016/17 would be likely to balance and can therefore be considered as robust.

Ken Clarke,
Chief Finance Officer.