

2017/2018

Alternative Budget Proposals

From

The Main Opposition Group

Of

Telford & Wrekin Council.

Published January 2017.

1. OVERVIEW.

The Opposition key budget strategy proposals for 2017/18

Budget Deficit: –.

Council Tax for 2017/18 – We support the administration’s proposal to increase Council Tax by 1.2% and given the current pressures in funding Adult Social Care, we also support an additional supplementary increase of 2%. We likewise supported giving our local community a choice on phasing arrangements of this increase and agree with the conclusions from scrutiny and the consultation on this issue and therefore support the increase for 2017/18 and the following two years being set at 3.2%.

However, it is essential that further efficiencies are identified to continue to control the budget in the current difficult financial climate.

Protecting Social Care – Child Exploitation – This is an area of significant local concern. Despite an undertaking by the current Labour Administration, and the implementation of a number of action plans to bring this budget under control; since 2011/12 expenditure has exceeded budget by a huge £13.7m.

Despite this significant expenditure, Telford & Wrekin has been identified as having the highest incidence of reported Child Sex Offences for the year up to and including September 2015. A position above that of Stoke and Rotherham.

With this in mind we would create a reserve of £0.250m to fund any subsequent investigation into the issues of CSE (Child Sexual Exploitation) in the Borough.

In addition to this we propose the provision of two additional Social Workers to increase the effectiveness of the Council’s CATE Team in tackling CSE in the Borough.

We also recognise and pay tribute to Telford’s Street Pastors who do an invaluable job of protecting our youngsters and others on Telford & Wrekin’s streets. With this in mind the Conservative Group gives an undertaking to these volunteers that we will always support them financially.

With this in mind, we would contribute an additional £5k per annum on top of the £10k allocated by the Police and Crime Commissioners fund, and would welcome further talks to ensure their future financial viability.

Debt Reduction – The Current Administration continues to increase debt at an unprecedented rate – our strategy is to dispose of non-core activities which have been debt financed by the current Administration and reduce the council’s debt burden.

We continue to advocate a significant change in policy direction with the aim of bringing the burden of debt down to a sustainable level.

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.

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 continue to propose significant asset disposals.

Bring forward Living wage - We propose to introduce a £9.00 per hour Living Wage earlier than planned from 1st September 2018. This will provide our workforce with a higher income in stark contrast to the current Administration which talks of a living wage but only announces redundancies. (The Living Wage will rise nationally to at least £9.00 by April 2020.)

Development of the Borough/Shaping Places - 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 so to build an additional 5,615 homes, many on Greenfield sites, is not justified or necessary. This will only serve to put further financial pressure on the Council to support infrastructure, education and social services for an increasing population. Despite the receipt of additional income from New Homes Bonus and Council Tax, additional services have to be supplied for the additional population.

Local Plan

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 have been able to identify surplus funds within the Council's resources to finance a capital program to begin to bring highways to an acceptable standard.

Recycling Rates

We seek to follow the lead of our neighbours in Wales and set an aspiration target of recycling for T&W of 64% by 2020 and 70% by 2025 and have included £0.050m one off investment to commence the process

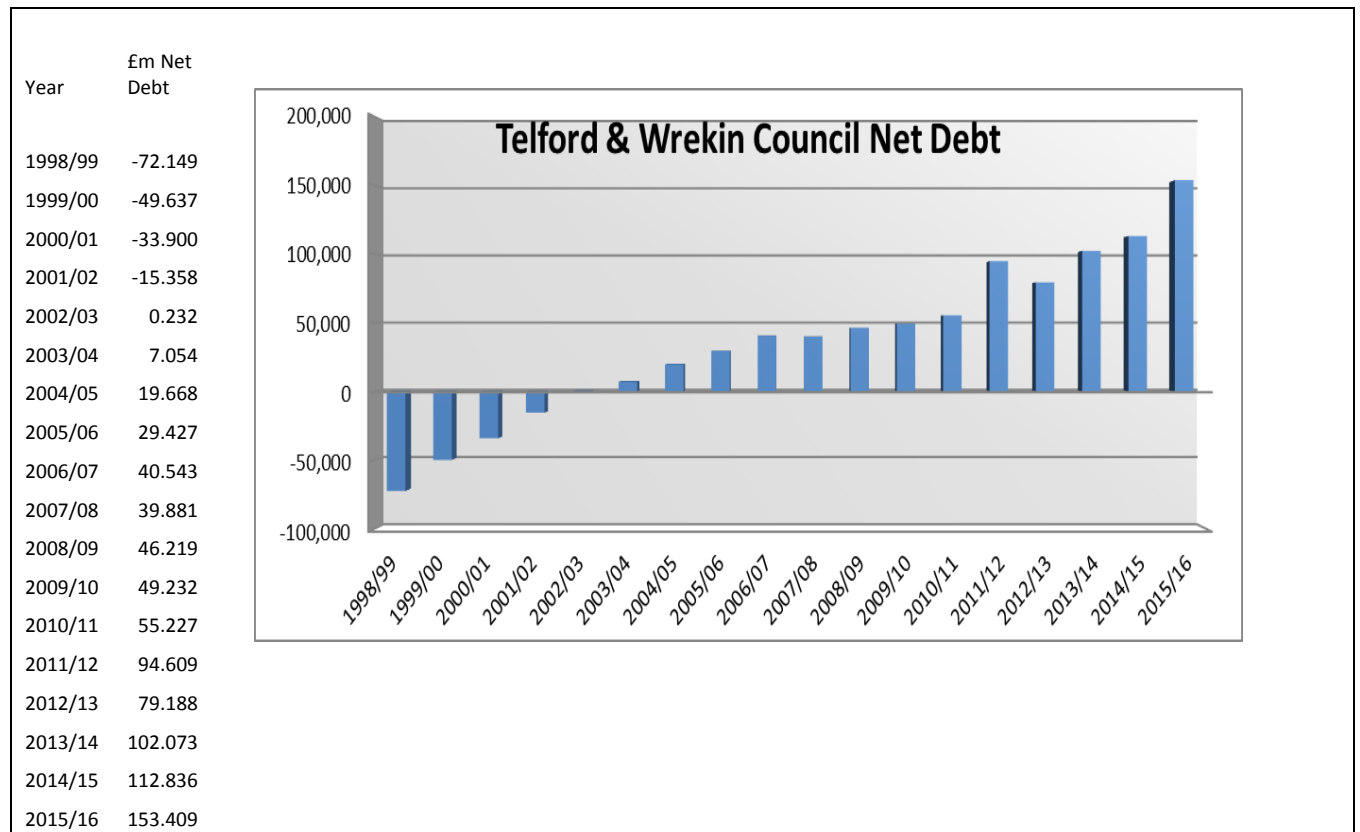
Council 'Prudential Borrowing' – During May 2011 the incoming Labour Administration criticised Conservative "Prudential Borrowing" commitments used to fund Borough wide regeneration, which then stood at **£117.9m**.

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 **£347.0m**

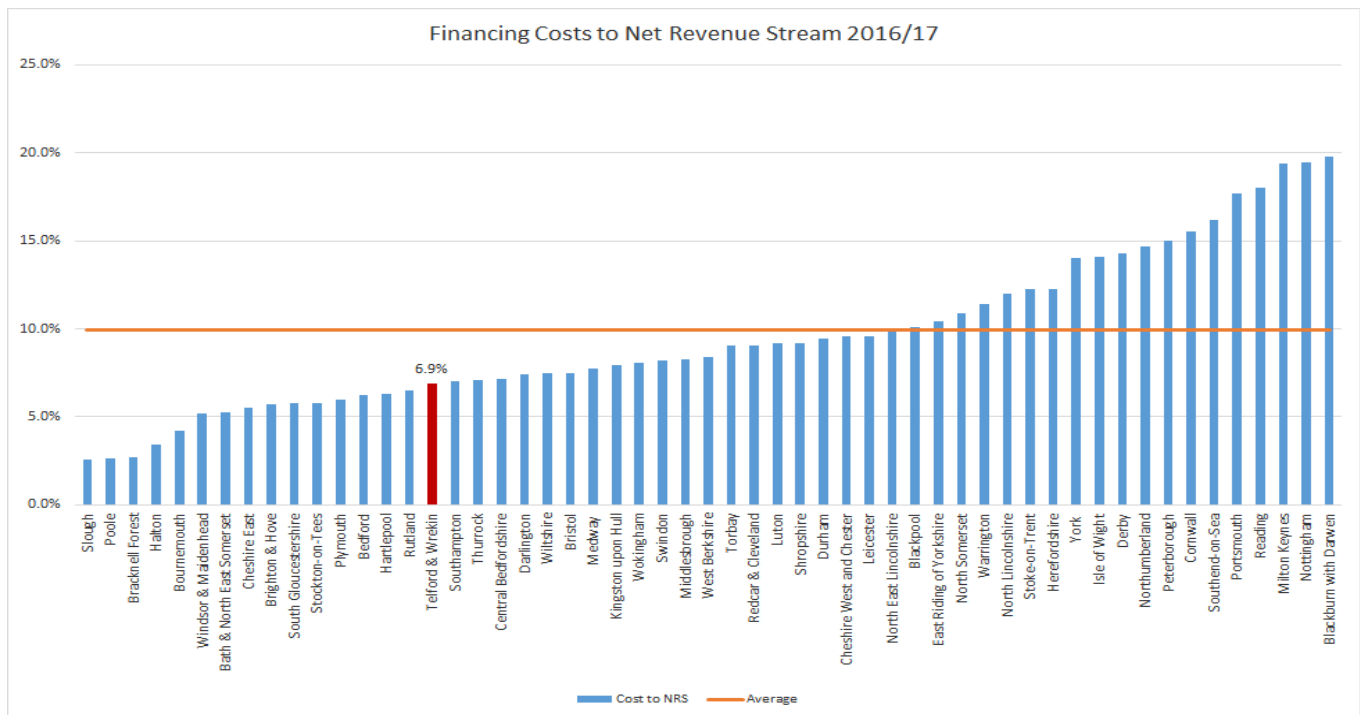
Although much of this additional debt is envisaged to generate a greater revenue return than the cost of borrowing, the exposure to a future change in circumstances, legislation, technology or solar farm feed-in tariffs etc could prove a very significant

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.



Debt as a % of the Revenue Budget



Currently around 6.9% of the Council’s Revenue budget is swallowed up by debt charges, this is with a current average interest rate of 3.45% and **net debts of £179.5m at December 2016**. However, this is only after recalculating the figures to allow for the Council’s Minimum Revenue Provision (MRP) changes.

Consequently, the current strategy will see prudential borrowing rise to **£347m**. Previously the council has been able to enjoy treasury windfalls due to the prevailing interest rates being below the original budgeted rate (which assumes the need to lock in). The current actual interest rates are around 0.3%. This favourable regime is likely to end shortly.

We consider that any increase in debt charges which increase the proportion 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

As previously presented T&W continues to face growing risks.

Risk 1 – Move to local funding

Central government is rightly moving forward to make local authorities responsible for their own funding

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.

Risk 3 –Investment Profile

Commercial property is an unpredictable and volatile market area.

Risk 4 – Accounting changes

Changes have been made to MRP calculations, which reduce present debt charges but increases them in future years

Risk 5 Debt funded approach

The expansion of the Council balance sheet is being mostly funded by borrowing via the Public Loan works board.

Risk 6 Capping

Currently council tax is capped preventing funding from being increased other than by nominal amounts.

Risk 7 – Political Driven Growth Agenda

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

Review of the Current Administrations rapid debt lead 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.

Proposed Actions to de-risk the balance sheet

- Reverse the recent additional Property Investment Portfolio (PIP) borrowing
- Dispose of the Solar Farm
- Dispose of Nuplace property development

The above actions will result in capital receipts totalling around **£87m** which would reduce prudential borrowing from the current projected total of **£347m to £260m** The Conservative Group would fund the additional revenue cost arising from making these adjustments from further savings yet to be identified.

The National Picture – Other Local Authority Borrowing and Investments

The primary challenge facing authorities in managing their capital spending and resourcing has been the need to minimise the revenue cost of their capital programmes whereby Authorities meet debt servicing costs from revenue spending.

In 2014-15, these costs accounted for £3.6 billion of revenue, equivalent to 7.8% of revenue spend (excluding education). Other Authorities in the same way as T&W have adopted a range of prudent treasury management strategies including minimising external borrowing, and recalculating the minimum revenue provisions (MRP) they must set aside to cover debt repayments. They have also increased

'internal borrowing', where authorities fund capital spending from temporarily surplus cash. This avoids interest payments by deferring the need to borrow externally

Nationally authorities' debt servicing costs have grown as a proportion of revenue spending, reflecting that additional prudential borrowing has been engaged as a way to achieve policy objectives.

A quarter of single tier and county councils now spend the equivalent of 9.9% or more of their revenue expenditure on debt servicing. Metropolitan district councils **are particularly exposed**, with a quarter spending over 11.2% of their revenue spend on servicing debt.

Whilst T&W's level currently stands at 6.9%, **the direction of travel is an important consideration as this is likely to rise.**

Across the sector as a whole debt servicing costs as a share of revenue spend fell slightly in 2014-15, as a number of local authorities reduced their MRPs

As interest rates start to rise, new borrowing will become more expensive, and authorities may also take on more external debt in order to lock in relatively low interest rates

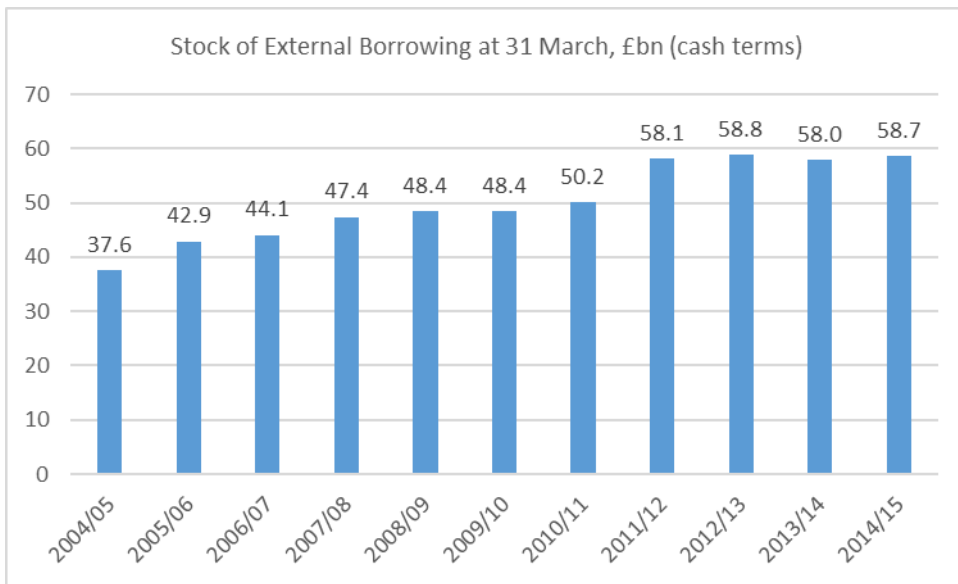
Authorities have used internal borrowing to keep the cost of debt servicing down. However, they may switch to external borrowing if an interest rate rise looks imminent in order to lock in borrowing at a relatively low rate. This will increase the cost of debt servicing. At the same time, authorities' revenue incomes will be constrained by cuts in government funding. If authorities cannot reduce their debt servicing costs, this will place further pressure on revenue spending.

Authorities may also decide that borrowing for new capital spending is unaffordable, reducing the scale of future capital projects. Counterparty risk has increased as levels of investments on deposit have grown

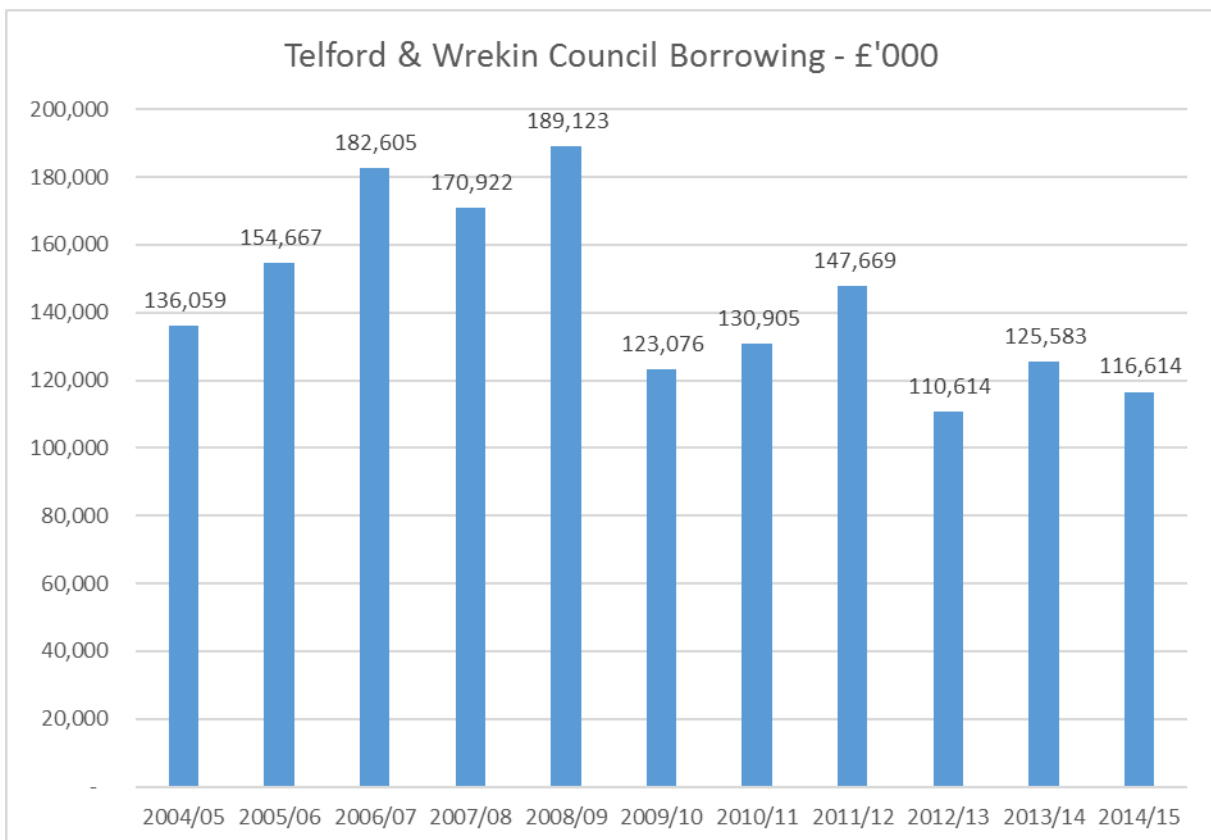
Local authorities in general are more exposed to counterparty risk – The possibility that an institution holding an investment fails – as levels of early Repayment of debt have fallen and investments on deposit with third parties have Grown. Early repayment of Public Works Loan Board (PWLB) debt fell from an annual average of £3.4 billion in the three years to 2010-11, to £186 million per year in the three years to 2015-16. Investments on deposit grew by £6.9 billion (37%) from 2010-11 to 2014-15. These changes may have been partly driven by the fall in interest rates in recent years which has increased the premium payable on early repayments by local authorities.

The general reluctance among authorities to borrow more is reflected in the amount of gross external borrowing held by authorities. Although gross borrowing increased in 2011-12, this was because local authorities moved to self-financing their housing revenue accounts. Gross external borrowing remained relatively unchanged in cash terms from 2011-12 to 2014-15 Gross external borrowing in 2014-15 stood at £58.7 billion.

Gross external borrowing has remained relatively flat in cash terms since 2011-12.



What can be seen from the above trend is that while debt nationally increased within local Government in the years 2004-2011 since then debt levels have stabilised reflecting a move to a more cautious approach to debt and anticipation of interest rate rises. Based on this trend it can be assumed that 2015/16 is not likely to materially change.



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 rising to £250k by 2019/20.

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.

The Approach

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

Set up costs of £250K will be transferred from reserves for this purpose.

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

Partnering

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

New Revenue Opportunities

- Children's services
- Planning
- ICT

Spending Review – As indicated within our 'Pilot proposals' for the Council's Leisure Facilities last year 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**, with an emphasis on wider competition for the provision of services. T&W Council is now a much smaller organisation than it was 5 years ago which, given the likely direction of travel over the next few years, is likely to become smaller still.

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

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 one-off amount of £0.1m to enhance the work of the authority in both rural and urban areas on top of the existing proposals.

Highways

As indicated in our last budget we have now identified surplus / unused funds within the administration's budget of £19.9m and allocated some of these to highways.

Education

Despite high levels of house building across the borough and a significant increase in the provision of primary schools to meet a burgeoning demand, Telford & Wrekin Council have singularly failed to collect any significant Developer contributions towards the provision of new or extended secondary schools in the borough.

Despite many warnings from the Conservative Group over the past 6 years the current labour administration have failed to act on this issue and have failed to plan properly for future growth, reflecting a muddled approach to infrastructure requirements in general.

In order to deal with this issue and prevent a pending crisis in secondary education, we propose to set aside £250K for an urgent review of population growth and future demand for secondary school places at pressure points across the Borough due to: - **The current Labour Administration's proposal by to build a total of 15,555 new homes in the Borough. (When the council's own Housing Needs Survey suggests less than 10,000 are needed.)**

The potential lack of planning policies to prevent additional and unplanned speculative housing developments proceeding across the borough.

Borough Maintenance

To aid inward investment and provide stable and secure employment, the Borough of Telford and Wrekin must be an attractive and desirable place to live. Along with poor highways and the potential shortage of secondary school places, the cutting of environmental budgets again reflects a lack of joined up thinking and have been regarded as a simple way of reducing costs.

The appearance of the borough's environment is a key issue for the Conservative Group as the frequency of grass cutting, of tree cuts, litter picking and road sweeping etc, all contribute to a feeling of a looked after and well maintained borough.

Whilst savings have to be made in this area we propose to reverse these budget cuts and to re-invest again in environmental maintenance so a unique selling point of the borough can be restored.

We propose spending an additional one-off sum of £375k in 2017/18 and an additional £100kpa from 2017/18 onwards to improve the Borough's appearance and will work with officers to further increase this funding in future years

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. We will remove the remaining "Essential Car User" Allowances saving £0.14m pa.

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.

Highways

The borough has a backlog of maintenance which reflects more than 30 years of historic under investment, the table below shows annual funding requirement needed to bring highways up to standard.

As indicated in last years budget proposals it is going to take a considerable amount of officer's time to find a funding approach that avoids having to use incremental borrowing. We have however made progress against our objective which allows us to allocate funding in the budget for the first year of a renewal program.

Highways

	17/18	18/19	19/20	20/21	21/22	Total
Expenditure	£,000	£,000	£,000	£,000	£,000	£,000
Annual Investment	9,500	9,500	9,500	9,500	9,500	47,500
Funding						
DfT Grant	3,119	2,778	2,778	2,778	2,778	14,231
Existing capital programme	2,000	2,000	2,000	2,000	2,000	10,000
Additional Capital Funding required	4,381	4,722	4,722	4,722	4,722	23,269
Funding in Alternative Budget Model - from one offs	4,381					

We propose that this investment is initially financed as follows

- Utilisation of part of available balances
- Reduction in single status fund by £1m
- Using £3.1m of in year underspending.

We will continue to work with officers to identify funding so the highways can be restored avoiding the use of prudential borrowing. Over the last few years the Council has not fully spent all of its budgeted contingency funds which has enabled funding to be allocated to priority initiatives at year end. We would prioritise further investment in highways improvements as and when any additional one-off funding or unused contingency became available over the medium term.

Whilst reducing cash and investments in the short term, this will be offset as PIP and Nuplace assets are sold and the cash used to reduce existing prudential borrowing

Other Reserves £m

Creation of contingency balance 7.167
This balance to be used to support the budget.

Summary

	<u>£m</u>
One-Off Funding Available:	
Usable Balances	15.850
Plus Reduction in Single Status Fund	1.000
Plus 2016/17 Projected Underspend	3.100
Total one off funding available	19.950

Proposed Uses:

Reserves used in Admin Budget Strategy	2.195
Further use of balances	1.159
ITS/Capacity Fund	1.500
Footway/Pavements Programme Funding	1.400
Community Capacity Building Fund	0.500

Destination Telford	0.150
Organisational Development Fund	0.150
Additional Borough Maintenance	0.375
Child Sexual Exploitation	0.250
Additional Social Workers to tackle CSE	0.240
Centre of Excellence	0.250
Madeley 3 g Pitch	0.233
2017/18 Highways Funding	4.381
Contingency	7.167
	19.950

Recycling Rates

Our close neighbours in Wales are achieving 58% recycling rates currently and have plans to reach 64% by 2020 and 70% by 2025.

The current administration has signed a long term contact with Veolia. However, that contact has embedded within it modest recycling rate targets of 58.84% by 2020 and 59.52% by 2025. Given the similarities between our near neighbours and T&W we therefore have included £50K in our budget to fund initiatives to begin to plan to work with Veolia and the community to target higher recycling rates.

The contract has no in-built flexibility to adjust targets consequently higher targets will require additional investment.

REVIEW OF THE LABOUR ADMINISTRATIONS PROPOSALS.

Safeguarding vulnerable children and adults is an aim shared by the Conservative Group, we remain very concerned however that this is an area that whilst very much under the spot light is not under control. Increasing the budget by £5.8m, which represents an approximate 9% increase in spending, does appear to be writing a blank cheque. Whereas what is now needed is a root and branch review of the function.

Highways. The intention of the administration to finally invest in highways at long last is very welcome given the 30 years legacy of under investment principally by previous labour administrations. **Our proposals have advocated this investment for a long time and this model includes our own earlier funding proposals for the first time.**

Debt. We strongly **disagree** with proposals to increase Council prudential borrowing to £347m this is at a time when nationally councils are building investment balances and avoiding debt increases. While we do have some capacity within our budget to support debt interest the sustainable level is already approaching what our group consider to be **excess**, we are not yet however at the level of Metropolitan district

councils which **are particularly exposed**, (with a quarter spending over 11.2% of their revenue spend on debt servicing.) but the direction of travel appears to be towards over exposure and for T&W to be placed within the same risk group as Metropolitan councils.

Recent budgets and the councils success in maintaining budget control have been supported by the lower interest rates available on a day to day basis compared to the interest rates originally forecast (which represents the current lock in rates)

Currently around **£89m debt is short term** and the actual daily interest rate paid is around **0.30% compared to the 3.5% budgeted**. This is a situation that will not continue indefinitely, as once interest rates more to increase debt will need to be locked in.

The Administration's Savings Proposals

No 23 Increase school meal prices – We disagree with the administration's proposal and will freeze meal prices for 2017/2018.

No 25 off peak skating – **We disagree with this proposal and will strike this from the savings list.**

Mobile Library Service – The Conservative Group remain extremely supportive of the borough's Library service, having provided a brand new library at Wellington and planned a new library at Southwater. We also acknowledge the ever changing service which libraries now provide to an ever growing population.

However, we also support traditional services such as the rural mobile library service, which will now be cancelled by the current Labour Administration in order to save £42k. This service provides valuable contact for residents in the rural area and members of the community in residential homes, right across the borough.

We accept that the cost of providing this service is high and while we welcome a suggestion from the administration that Rural Ward Members use up to £2k of their pride funding to support the service, this would also impact adversely on the provision of other projects in the rural area when compared to what can be provided by Councillors in urban areas.

Consequently, we propose a redesigned and targeted ordering service working on a monthly cycle. The delivery vehicle is owned by the council and we would work with council officers to provide this valuable service within a maximum cost of £18k per annum.

AFC Telford United – The Conservative Group recognise the valuable contribution that the football club makes to the community right across the borough and has also positively promoted the name of Telford itself.

When in administration, the then Conservative controlled council and the club maintained a strong working partnership which secured the club a long tenure at the Bucks head Football ground and other valuable income generating assets.

At a time when the football club is considering changing its future structure and operation, the withdrawal of £233k to fund joint working is considered to be very

unhelpful and a retrograde step. We believe at times such as this that the council should stand alongside the club and demonstrate its full support.

We propose reinstating the £233k budget and instead providing the proposed football pitch at Madeley out of one off monies.

SUMMARY OF CONSERVATIVE BUDGET PROPOSALS

The overall service and financial planning strategy for the period 2017/18 to 2018/19 is summarised in the table below:-

	2017/18 £m	2018/19 £m	2019/20 £m
Base Budget Gap (after £6.4m proposed cut to Revenue Support Grant in 2017/18 and the savings approved in March 2016 assumed for 2017/18)	(0.692)	12.187	21.563
Adult Social Care Pressures	0.778		
Social Care Support Grant	(0.778)		
Safeguarding Pressures	0.500		
Invest to Save Funding	(0.500)		
Impact of changes to grants including New Homes Bonus, Housing Benefit Administration, Education Support (one off benefit in 2017/18 not previously taken into account)	(0.696)	0.045	0.038
Additional Business Rates after completion of the statutory NNDR1 form which was issued late by the Government reflecting further benefits from growth in the borough	(0.318)	(0.812)	(0.892)
Other Changes	0.081	0.070	0.033
Less 2% Social Care Precept	(1.151)	(2.340)	(3.566)
Less 1.2% Council Tax Increase	(0.691)	(1.404)	(2.139)
Budget Gap after Council Tax Increases	(3.467)	7.746	15.037
Add Pressures	5.803	4.645	4.063
Less Additional Savings Identified	(1.779)	(2.380)	(2.723)
Less: Savings to be Identified		(8.750)	(16.000)
Base Budget Shortfall	0.557	1.261	0.377
Use of Reserves	(0.557)	(1.261)	(0.377)
Total Administration Budget	0.000	(0.000)	(0.000)

Additional Revenue Investments

Funded from Reserves:

Child Sexual Exploitation	0.250		
2 Additional Social Workers to support CSE	0.080	0.080	0.080
Centre of Excellence	0.250		
Madeley 3 g Pitch	0.233		
Use of Reserves	(0.813)	(0.080)	(0.080)
	0.000	0.000	0.000

Included in the Base Budget:

Street Pastors Contribution	0.005	0.005	0.005
Cost of accelerating Govt. living wage increase		0.220	0.271
Local Plan Review	0.100		
Rights of Way	0.100		
Education - Review of Secondary School places	0.250		
Borough Maintenance	0.100	0.100	0.100
Recycling	0.050		
	0.605	0.325	0.376

Additional Savings

Joint Working/Partnering with other authorities	(0.125)	(0.200)	(0.250)
Review of Staff Terms and Conditions	(0.140)	(0.140)	(0.140)
Other - Trade Unions etc.	(0.100)	(0.100)	(0.100)
Further Savings to be Identified		(0.791)	(1.788)
	(0.365)	(1.231)	(2.278)

Administration Savings Re-instated

No 23 - Increase School Meal Prices	0.040	0.080	0.120
No 25 - Review Off Peak Skating Concessions	0.005	0.007	0.007
Mobile Library - redesigned service	0.018	0.018	0.018
	0.063	0.105	0.145

Other

Revenue Benefit of not undertaking £20m Highways: prudential borrowing in 2019/20 and 2020/21			(0.175)
Revenue Costs of Asset Sales	0.856	0.801	1.932
Further use of Balances	(1.159)		
Residual Budget Gap	0.000	(0.000)	(0.000)
	0.000	0.000	0.000

CONCLUSION

Our alternative strategy represents a major departure from the current administrations strategy as follows: -

- Reduces Debt by £107m.
- Reduces the risks the council faces
- Proposes a new strategy for incremental income generation.
- Reduces Union Subsidies
- New Reserve for Protection of Children
- Accelerates implementation of living wage
- Better Planning for school places £250K
- Review and Revise Shaping places
- Review rights of way
- Reduces the extent of service impacts
- Contingency of £7.1m

- £4.381m 2017/18 to begin highways restoration
- £233K for Telford United re-instates budget deletion.

Budget Proposals prepared by: -

**Councillor Adrian Lawrence
Councillor Andrew Eade**