

APPENDIX 15

TELFORD & WREKIN COUNCIL

EFFICIENCY STRATEGY

2016/17 TO 2019/20

December 2017

Foreword

This 4-year Efficiency Plan covers only the money the Council receives through Revenue Support Grant (RSG). It does not include all the funding received from Government e.g. other revenue grants such as New Homes Bonus or any capital funding. Total local authority funding is clearly in need of urgent review before it further entrenches this country into areas that “Have” and those that “Have-Not”.

The Council welcomes the Government’s current consultations on Fair Funding and how the business rates retention system may operate in future. However, the past impacts of the effects of damping rolled in to the opening position of the current system need to be unwound before we move forwards.

The reductions in Government grants both to RSG and other grants have a disproportionately higher impact on areas with greatest social need. This is primarily why those areas that had higher levels of grant received that funding i.e. to cover the additional costs that they face meeting pressures caused by significant levels of deprivation.

In Telford & Wrekin some of our wards are among the most deprived in England, areas with very high social needs.

At a time when grant is reducing, we are seeing greater demand than ever for many of our services, which are there to support those people with greatest social need. This simply isn’t happening on the same scale as in more affluent areas. In our borough, there are now very real pressures on our services such as those for children and adult social care. These council services play a key part in preventing pressures on an already over-stretched NHS. Without this support, the NHS will struggle.

This is core to our Fair Funding argument and why we believe the Government should raise the average spending power in the borough, which by its own measure is £12m below the England average.

This Council has constantly supported Government policies to help promote growth and is very pro-business. Through our Job Box programme, we have gone way beyond what is expected of a council, proactively tackling unemployment, boosting skills and training in our borough, halving youth unemployment here.

At the same time we are effectively penalised for supporting Government initiatives to restrict rises in council tax and for having one of the lowest council tax rates in the region.

We are penalised because average house values here are much lower, around two thirds are band A or B, yielding a proportionately smaller level of council tax than more affluent areas.

Given the lower average incomes of our residents, our scope to raise more through council tax is very limited compared with more affluent areas.

Add to this a population undercount that by 2020 we estimate will see Government’s calculations lagging behind the true figure here by around 7,000 people and the effect of damping that sees over £1m a year of Government grant that should come to this borough diverted to shore up funding in other parts of the country.

This is a toxic combination at the heart of a funding system that works against areas like Telford and Wrekin that strives so hard to do the right things.

This is why we ask our MPs and community leaders to join us in pushing for funding that is fair to all parts of the country - that recognises the advantages some areas such as the South East enjoy because of where they are, while helping those have-nots who do the right thing but lose out simply because of where they are on a map.

Cllr Shaun Davies
Leader

1. Introduction and Overview

This Strategy has been developed to ensure that the Council can qualify for a 4-year funding settlement and for the Flexible Use of Capital Receipts from Government. A 4-year settlement is essential to the medium-term financial stability of the Council. It will help us to plan our future budget strategy and what services will be delivered; this is essential for both the community and for Council employees too. It will help the Council to take a medium-term view of service transformation and delivery and avoid year-on-year ad hoc responses to an ever changing financial landscape. Flexible use of capital receipts will provide the opportunity to fund expenditure which contributes to the delivery of ongoing savings, such as one-off costs relating to service rationalisation and restructuring, from capital receipts rather than from revenue.

The Council has an excellent track-record in financial management and innovation with spend being within budget for the past 10 years, despite unprecedented cuts to the grant that we receive from Government, and delivering efficiencies is a key component to this.

This efficiency strategy was initially built on the relevant sections of the Council's Service & Financial Plan for 2016-2018 which identifies how efficiencies and savings will be delivered. The Council's two-year Service & Financial Plan is updated annually and the plan for 2018/19 TO 2019/20. The full report can be found at www.telford.gov.uk/budget

Since, the adoption of the [Service & Financial Planning Strategy](#) by the Council in March 2016, the Council has continued to develop its projections of the organisation's financial position to 2019/20.

In addition to the savings proposals the strategy originally, identified, the Council is projecting the need to find an additional £13.7m savings in 2018/19 and 2019/20 and an additional £19.75m in 2020/21. This is on top of the £110m delivered between 2009/10 and 2017/18 bringing the total expected savings through to 2010/21 to £143m. This has been, and remains, a huge task and one that has required fundamental redesign of the organisation and the ways that we do business.

Future savings will be more challenging as the "low hanging fruit" has already been harvested making medium term planning and increased certainty over grant levels essential. The proposed flexibility over the use of new capital receipts will greatly assist in funding the necessary one-off costs associated with the huge transformation programme that the Council is undertaking.

2. Telford & Wrekin: the Place

Telford & Wrekin Council serves a population of 172,000 people which is forecast to grow to around 196,900 by 2031. As our population grows, it is ageing and becoming more diverse.

The Borough is a key growth hub in the West Midlands in terms of both housing and the local economy and jobs. We have a strong track record at attracting inward investment from both the private and public sector including £70m from the Ministry of defence and in excess of £80m from Magna (automotive supply chain manufacturing). Manufacturing provides 16.7% (8% England) of jobs in the Borough.

Telford is the focus for much of our housing and economic activity, with the historic market town of Newport to the north and the UNESCO world heritage site of Ironbridge to the south on the banks of the River Severn.

Although at face value it is a successful and attractive place to live, Telford & Wrekin is an area of contrast with 15 neighbourhoods ranked in the 10% most deprived nationally bringing very real

challenges as to how we ensure that all of our population shares in the prosperity which our growing economy generates.

More information about the Borough's population can be found on our [Key Facts](#) webpage.

3. Our Strategy

Our Efficiency Strategy includes three themes:

1. Our approach to delivering efficiencies to make around £65.2m of savings from 2016/17 to 2020/21.
2. How new flexibilities in the use of capital receipts will be used
3. Prudential Indicators for 2016-18 to ensure borrowing by the Council is affordable in the medium to long term.

This strategy will be reviewed at least annually and updated with the progress made delivering each of these themes.

3.1 Delivering Efficiencies

Telford & Wrekin Council has a proven track record of delivering savings and efficiencies. Between 2009/10 and 2017/18 the Council has delivered £110m savings including:

- Reduced the number of jobs by over 1,532 since April 2010, saving around £30m pa following a major redesign and restructuring of the organisation. Reduced the size of the senior management team (Director and Assistant Director roles) by 60% - twice the national average reduction of "nearly 23.2%" as reported by the Municipal Journal
- Cut back-office costs by over 51% since 2009, saving £11.4m a year.
- Delivered £11.6m procurement savings over the past 8 years by renegotiating and retendering contracts for the provision of services.
- Secured savings of £30m over the lifetime of the waste collection and disposal contract.
- As part of our business winning approach, forecast to generate an extra £7.1m income by 2018, through growth in business rates and council tax since April 2013.
- 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.
- Worked in partnership with other local authorities and statutory agencies. Including the West Mercia Youth Offending Service (WMYOS) established in partnership with Worcestershire, Hereford, Shropshire, health, police and probation.
- Reduced the office space we use by a third, saving the Council £2m pa.

Moving forward, the Council currently has proposals to deliver a further £66+m of savings. To achieve this we have identified 4 themes.

Theme 1: Focussing on Solving Problems and promoting Social Responsibility and action to manage and reduce demand for services:

- **"Demand Management"** - ensure that resources are targeted at those residents most in need of help. This is about understanding why people use our services and keeping them out of high cost systems.

- **“Prevention”** – avoid problems which place demand on public services by encouraging people to help themselves to prevent needs developing in the first place. This is relevant to the majority of our population and has a lifelong all age focus.
- **“Early Help & the Right Help”** – when individuals and families do need help and support, we want to identify them quickly and identify the right, effective support first time to avoid issues escalating and requiring more intensive and expensive intervention but also to avoid long-term dependency on our services. Through a whole Council approach, we will improve the customer journey to provide a better seamless journey for clients.
- **“Think Family – Strengthening Families”** – to target our resources at those families most in need of support by taking holistic approach through a key worker model to “turning around” these families. This is a partner-wide agenda and is 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.

Theme 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).
- **Working with the private sector** – including the Telford Business Board and major local employers, the management of the Telford Town Centre shopping centre, house-builders and our Universities to drive economic growth in order to generate jobs and increased prosperity for the residents of the Borough and to generate additional income for the Council from business rates and New Homes Bonus and council tax on new homes built in the Borough.

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

- **“Channel Shift”** by providing services and information in the most efficient way. For example, providing clear and robust information on the Council’s website will mean that

residents can “self-serve” and not need to contact the Council in other less efficient, more expensive ways such as by telephone or face to face. Other examples include the use of smart phone “apps” such as our Everyday Telford App which allows people to report neighbourhood issues directly to the Council.

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

Theme 3: Reducing our Dependency on Government Grants

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

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

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

- **“Maximising existing funding streams”** – there are 3 main areas which we are already progressing and will continue to drive:
 - **Business Supporting, Business Winning** – continuing to work to attract new investment and work to support the retention and growth of existing businesses. As well as being the right thing to develop jobs and growth in the Borough, the Council receives 49% of all new **business rates** rising to potentially 100% at some point in the future subject to clarification of Government announcements.
 - **Growth Through Good Planning** - this is a whole Council approach by which all services work to support and enable business investment in the Borough. Through this approach we have been ranked by the 2014 Core Cities Report in the top 3 local authorities for job growth and housing growth. Through this the Council will see **new Council Tax** and Business Rate receipts, as well as receiving the Government’s “**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 capital funding 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.

Theme 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 workforce development
- Greater flexibility including wider more flexible working and job descriptions for staff
- Encourage creative thinking and challenge
- Focus on efficiency and reducing bureaucracy
- Increased staff engagement so that employee representatives will have a greater influence in the organisation

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

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

Table 1: Projected Savings by Theme

| Theme | 2016/17 | 2017/18 | | Additional Proposals | Total |
|--|-----------------------|-----------------------|-------------|-------------------------|-------------------------|
| | Savings Approved £ | Savings approved £ | Total £ | 2018/19 to 2019/20 £ | 2016/17 to 2019/20 £ |
| 1. Focusing on solving problems and promoting social responsibility and action to manage and reduce demand for services | 0.6m | 1.4m | 2.0 | 0.5 | 2.5 |
| 2. Challenging & changing, reviewing and reimagining the way we do things. | 15.0m | 9.7m | 24.7 | 5.3 | 30.0 |
| 3. Reducing our dependency on Government grants. | 2.5m | 3.1m | 5.6 | 5.1 | 10.7 |
| 4. Being a modern organisation with modern practices and where we always get the basics right | | 0.5 | 0.5 | 1.8 | 2.3 |
| Total in year savings | 18.1 | 14.7 | 32.8 | 12.7 | 45.5 |

Risks to Delivery

As an organisation which provides a vast range of different services to the community and spends in excess of £420m revenue per annum, the management of risks is an important consideration. The Council has a strategic [risk register](#) which is used to identify the substantive issues which may have a financial impact. This is reviewed regularly by Senior Management Team to manage and mitigate risks. As part of the budget setting process, risks, impacts and possible mitigation are considered for each saving proposed.

Reductions in funding is an acknowledged risk and as the multi-year offer only covers specific funding streams (RSG, Transitional Grant and Rural Services Delivery Grant) there remains an element of uncertainty over other income levels. The Council undertakes a risk-based review of the level and adequacy of reserves and balances each year and will continue to do this in the context of a multi-year settlement.

Contingency arrangements are also key to a sustainable Service & Financial Planning Strategy. In 2016/17 a general contingency was set aside to cover any unforeseen expenditure during the year as well as specific contingencies for Adult Services and Safeguarding, the two highest risk service areas. Consideration of contingency requirements is part of the annual budget setting process.

A robust monitoring regime is in place to identify any adverse variances early, including non-delivery of efficiencies, so that corrective action can be taken.

The Council has an Invest to Save/Capacity Fund created to support and accelerate the delivery of ongoing efficiencies.

3.2. Capital Receipt Flexibility

Telford & Wrekin Council welcomes the additional flexibility on the use of capital receipts generated in the three year period commencing 1st April 2016. This will enable some of the revenue costs associated with significant organisational transformation. This includes:

- the necessary costs associated with remodelling and reducing the workforce;
- invest to save projects;
- funding temporary additional capacity to project manage change programmes in key areas.

These would otherwise be a drain on scarce one-off revenue funds or alternatively delay the revenue benefits to the General Fund revenue account which would necessitate further cuts to front line services. We will be able to manage in a more strategic and planned way if this flexibility which has been requested by councils for many years is allowed.

We propose to use this flexibility as follows:

| | 2016/17 (£m) actual | 2017/18 (£m) | 2018/19 (£m) |
|---|---------------------------|-----------------|-----------------|
| Service transformation costs | £0.3 | £0.64 | £0.55 |
| Severance fund as the Council may lose a further 500 staff over the next 3 years | £4.9 | £3.59 | £3.10 |
| Invest to save fund to develop community capacity to deliver services which the Council will no longer provide. | | £0.40 | £0.34 |
| Total | £5.2 | £4.632 | £4.0 |

3.3. Prudential Indicators

The Council's Service & Financial Plan for 2016-2018 sets out the Council's prudential indicators for 2016/17. These indicators are designed to ensure that the Council's capital borrowing is affordable and does not place undue burden on the Council's revenue budget or Council tax payers (i.e. the cost of servicing the interest paid on capital borrowing).

The Council's Prudential Indicators for the Medium Term Financial Strategy will be approved by Full Council on 1 March 2018.

December 2017