

TELFORD & WREKIN COUNCIL

COUNCIL – 1 MARCH 2018

SERVICE AND FINANCIAL PLANNING 2018/19 TO 2019/20

REPORT OF THE MANAGING DIRECTOR AND THE CHIEF FINANCIAL OFFICER

LEAD MEMBERS Cllrs S. DAVIES and L. CARTER

1. SUMMARY.

1.1 This report seeks approval of the Service & Financial Planning strategy for the two year period 2018/19 to 2019/20 with specific budget proposals for 2018/19. This overview report, along with other linked reports on the agenda covering:-

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

form the Council's overall Medium Term Service & Financial Planning framework and proposes the service priorities and budget for 2018/19. This report includes details of savings proposals and investments for 2018/19 and 2019/20 and sets out our approach to developing the further savings that will be required through to 2020/21. These reports were considered by the Cabinet on 15 February but have subsequently been updated to reflect the final Local Government Funding settlement.

1.2 The Cabinet considered their draft budget proposals for 2018/19 – 2019/20 at the meeting held on 4 January 2018 when they were approved for consultation. A one month engagement period on the Council's proposals commenced on 5 January 2018 and ended on 4 February 2018. The details of the engagement process are summarised in section 22 below.

1.3 This Service and Financial Planning strategy for 2018/19 and 2019/20 is set in the context of a prolonged and very challenging period of extreme financial constraint due to the Government's desire to eliminate the national budget deficit.

- 1.4 By the end of the current financial year, the Council will already have delivered budget savings of £110,000,000. These savings are ongoing, meaning that they have to be made every year and that each year the Council now has almost £1,500 less to spend on delivering services for every household in the Borough. The Council has sought to make savings in ways that protect front line services as far as possible and, where services to the public are affected to do this in as compassionate a way as possible and seeing if there are alternative ways to work in partnership with other local organisations to ensure continuing provision.
- 1.5 There is no sign that the most protracted and severe period of austerity ever imposed by any U.K. Government is going to end in the foreseeable future. Government cuts to council grants have not been distributed evenly across the country, with areas of greater social need facing much greater cuts than wealthier parts of the country. By the end of 2020/21, based on current projections, the ongoing savings that this Council will have had to deliver are expected to be around £140m in direct response to the national austerity programme and demographic and inflationary pressures which are no longer funded by the Government.
- 1.6 Despite the reductions that we have had to make, the Council is still a large organisation delivering many services to local people and it is essential that we use our remaining revenue and capital resources as effectively as possible to deliver the greatest possible benefit for local people.
- 1.7 However, the Government's decision in its Autumn Budget, announced on 22 November, not to recognise the pressures facing all councils with responsibility for Adult Social Care and Children's Safeguarding now means that the Council must make further budget savings from other services in order to put additional investment in to these key front line services.
- 1.8 The provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government on 19 December 2017. This made clear that despite the widespread publicity about the very significant pressures facing almost all councils across the country with responsibility for delivering Adult Social Care and Children's Safeguarding services, the Council's Revenue Support Grant would be cut by over 23% (£4.3m) next year with a further cut of more than 30% in 2019/20. As part of the provisional settlement, it was

announced that for 2018/19 councils would be allowed to increase Council Tax by an additional 1% (£0.6m in Telford & Wrekin) before a referendum was held. For councils with responsibility for social care, like Telford & Wrekin, this would give an absolute maximum increase of 5.99%. It should be noted that the Government has only made this decision on a one-off basis. A recent report by the Local Government Information Unit found that around three quarters of eligible councils were set to raise council tax by the maximum 5.99% this year. However, we know that local residents have not seen their incomes increase by anything like this and that Council Tax is already a significant bill for our residents. The Council is therefore proposing to continue with its strategy of increasing Council Tax over the next two years by 3.2% pa. This comprises the 2% Adult Social Care precept which the Government have assumed we will apply and 1.2% which is equivalent to the amount that we received from Government from Council Tax Freeze Grants before these were abolished. 3.2% is also broadly in line with the current rate of inflation. Whilst we recognise that an increase of 3.2% will still represent a challenge for many residents, we need to balance raising additional income from Council Tax with the pressures now facing many services after budget savings of £110m pa have been made.

- 1.9 The Council along with the Local Government Association, is firmly of the view that a flexibility of allowing an extra 1% on Council Tax bills is no way to deal with the considerable national pressures on funding care of older people and vulnerable children. In Telford & Wrekin a 1% Council Tax increase would raise just £0.6m because Council Tax levels are comparatively low, as demonstrated in Appendices 1 and 2, and because the average property in this area is in Band B. Many wealthier parts of the country would raise significantly more from a 1% Council Tax increase as they will have many more properties in higher Council Tax Bands and perversely generally have better health and more “self-funders” so lower levels of demand for council-funded care. The Council will submit a response to the long awaited Green Paper proposed by the Government during the summer.
- 1.10 The final settlement for 2018/19 was announced on 6 February 2018. In response to further lobbying from the Local Government Association and the responses to the provisional settlement sent by this Council and others, the Government made some additional funding available for Adult Social Care (£150m) and for Rural Services Delivery Grant (£16m). However, the additional Adult Social Care grant is only being paid on a one-off basis, i.e. we will receive some funding in 2018/19

but nothing additional on an ongoing basis. Telford & Wrekin Council will only receive £0.484m which equates to just over 80 pence per day per client for our existing case load despite the pressures we face with an aging population and clearly the additional one-off grant is only around 10% of the ongoing cut that the Government confirmed to the Council's Revenue Support Grant. Despite the majority of the Council's area being rural in nature, Telford & Wrekin Council does not benefit from Rural Services Delivery grant. No additional funding was made available for Children's Safeguarding, despite the pressures facing these services.

- 1.11 Strong financial management over recent years has enabled the Council to build up one-off sums of money to invest in the community. In 2018 Telford celebrates its 50th anniversary and it is very important that we keep finding ways to invest in our communities and in our roads, street lights and footways to keep Telford a great place to live, work, visit and do business. Existing investments that we will be delivering in 2018/19 include:-

Education, Leisure, Economic and Commercial:-

- £17.1m on NuPlace Housing schemes
- £12.6m Telford Growth Deal projects
- £9.4m on various education schemes
- £3.9m for the Newport Innovation and Enterprise package
- £1.6m on a 3G pitch for South Telford

Pride in Our Community including:-

- £18.6m on Highways and Infrastructure schemes which includes
 - £3.36m to improve street lighting by continuing to install LED lighting
 - £0.85m to improve footpaths,
 - £0.7m for estate car parking improvements
- Over £0.7m for environmental pressures
- £0.5m for various small scale projects and local regeneration initiatives and
- £0.108m to continue the Member Pride fund of £2,000 per councillor.

Further details of capital investment proposals are included in the separate capital programme report that forms the next report in this suite of service and financial planning reports.

- 1.12 The Council has consistently said that it will continue to protect the most vulnerable in our society and prioritises the protection of services

to vulnerable adults and children in our community. The Council is committed to ensuring that we always meet the assessed needs of vulnerable people but this does not mean that we can continue to deliver the same services in the same ways. **We have to make changes but will always place priority on these essential front line care and support services and will not let financial pressures due to Government cuts mean that we fail to meet the assessed needs of the most vulnerable. The proposals contained in this report recommend additional investment totalling £6.5m over the next 3 years being added to the Adult Social Care budget and £2.65m being added to the Children's Safeguarding and Early Help budget over the next 2 years.** To do this, we have also had to be innovative in identifying ways to generate more income to fund these and other key front line services.

- 1.13 The Council also recognises that a decade of austerity has placed real pressure on household budgets and has previously decided not to increase Council Tax at the rate that many other councils are doing in order to limit, as far as possible, increases in what we realise is a significant bill for our residents. The Council's External Auditors, KPMG, have consistently reported that the Council's arrangements for securing value-for-money are satisfactory.

2. ROBUSTNESS OF THE BUDGET STRATEGY

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

- 2.2 **Appendix 11 gives a more detailed view, but overall, given the continued delivery of savings which now total almost £110m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

3. RECOMMENDATIONS.

- 3.1 Members are asked to approve the following recommendations for consideration by full Council on 1 March 2018:-

1. To agree a two year service and financial planning strategy linked to the period of the CSR and the local authority funding settlement from the Ministry for Housing, Communities & Local Government.
2. To reaffirm the previous decision that Council Tax should be increased by 3.2% (made up of 2% in respect of the Government's Adult Social Care Precept and a general Council Tax increase of 1.2%) in both 2018/19 and 2019/20.
3. To invest a further £2.226m (the equivalent of a 3.7% council tax increase) into Adult Social Care services in 2018/19 rising to a cumulative ongoing £3.509m new investment in 2020/21. In total the Council will be investing an additional £6.5m in to Adult Social Care over the next 3 years.
4. To invest £1.9m in Children's Safeguarding & Early Help services in 2018/19 and £0.75m in 2019/20, a cumulative increase in budget of £2.65m.
5. To earmark £1m of usable one-off resources to create an additional one-off budget contingency in 2018/19 to be available to support the full implementation of the cost improvement plans for Children's Safeguarding & Early Help and Adult Social Care.
6. To make additional budget savings totalling £6.852m in 2018/19 rising to a cumulative total of £12.580m in 2019/20 as detailed in Appendices 4 and 5.
7. To take a measured approach to the use of available one-off resources of £3.334m in 2018/19 and £3.157m in 2019/20 to seek to cushion the impact of continuing Government cuts in council funding.
8. To note the commitment to continue to work with partner organisations, including Town & Parish Councils and Voluntary Sector and Community Groups to seek to identify ways to mitigate the impact of some of the cuts to services that we can

no longer afford and to note the availability of the £744,000 Partnership Capacity Fund.

9. In order to further support these discussions and the delivery of other future savings to approve the transfer of the £1m superannuation benefit referred to in section 5.1 the Financial Management report, also on this agenda, to the Invest to Save/Capacity Fund.
10. To approve the Pay Policy for 2018/19 included as Appendix 3 which has already been approved by the Personnel Committee.
11. To approve the overall service and financial planning strategy set out in this report and the base budget in Appendix 7.
12. To approve the policy framework for Reserves and Balances outlined in Appendix 9.
13. To note the CFO's robustness statement in Appendix 11.
14. To approve the Risk Register included at appendix 16
15. To approve the revenue implications of the medium term capital programme for the period 2017/18 – 2020/21 set out in the Capital Programme report also on this agenda.
16. That authority be delegated to the Assistant Director: Finance & Human Resources to action any virements required following the final allocation of the Dedicated Schools Grant and other related Grants as long as they are within the budget and policy framework.
17. That authority be delegated to the Assistant Director: Early Help & Support, in consultation with the Cabinet Member: Adult Social Care, to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006 (as amended).

18. That the Assistant Director: Legal, Procurement & Commissioning be authorised to execute all necessary contract documentation including the affixing of the common seal of the council as appropriate to enable the council to enter into appropriate Section 256 and Section 75 Agreements under the NHS Act 2006.
19. That should any late changes be announced as part of the final Revenue Support Grant settlement, authority to adjust the level of the planned use of one-off resources in 2018/19 to compensate be delegated to the Chief Financial Officer after consultation with the Cabinet Member for Council Finance, Commercial Services & Economic Development.
20. That this suite of service and financial planning reports be approved as the Council's Efficiency Strategy for 2018/19, including the summary document at Appendix 15, to enable new capital receipts generated in the six year period starting 1 April 2016 to be used to fund the revenue costs of reform as assumed throughout these reports.
21. To note the projections for the potential budget gap in 2020/21 and to start work now in order to identify options for how this will be bridged as these savings will be more challenging than those previously agreed by the Council given that they come on top of the £110m of savings already made and may therefore have a significant lead time before spending reductions are delivered.

- 3.2 Final decisions will be taken by full Council on 1 March 2018 which will agree the budget and Council Tax levels across the Borough for 2018/19.

4. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific priorities?	
	Yes	<i>The service and financial planning strategy is integral to ensuring that available resources are used as</i>

		<i>effectively as possible in delivering all corporate priority outcomes.</i>
	Will the proposals impact on specific groups of people?	
	Yes	<i>The proposals contained in this report will impact on specific groups of people. Our approach to Impact Assessment is explained in sections 20 and 21. We will conduct a full impact assessment of all future savings proposals prior to any decisions being taken and include details in reports to Cabinet as appropriate.</i>
TARGET COMPLETION/DELIVERY DATE	<i>Engagement and statutory public consultation took place between 5 January 2018 and 4 February 2018. The proposals contained in the report were also subject to Member scrutiny during this period. Final proposals will be considered by Full Council on 1 March 2018 when the budget and council tax levels for 2018/19 will be approved. The final agreed recommendations will be implemented during 2018/19 and future years.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<i>This report sets out the service and financial planning strategy for the council for 2018/19 and 2019/20.</i>
LEGAL ISSUES	Yes	<i>This report develops the proposals for the Council's budget and policy framework which have been consulted upon in accordance with the Policy Framework & Budget Procedure Rules contained in the Constitution. In accordance with the relevant provisions of the Local Government Finance Act 1992, the Local Government Housing Act 1989, the Local Government Act 2003 and the Localism Act 2011, the Council has to set a balanced budget for 2018/19 before the 11 March 2018 and has to have regard to the advice provided by the s.151 officer (Chief Finance Officer) on the robustness of the budget and the adequacy of reserves supporting the budget before doing so.</i>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<i>This report sets out the strategy framework which includes consideration of corporate risks –</i>

		<p><i>particularly in relation to the availability of balances.</i></p> <p><i>Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment.</i></p> <p><i>The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact. The environmental assessment provides information on the environmental impacts of the budget proposals. Overall, on balance the environmental assessment of the budget proposals is expected to be positive.</i></p> <p><i>The economic impacts of the proposals are expected to be broadly neutral in 2018/19 given the reduction in spending by the Council, much of which will reduce economic activity within the Borough although this is broadly offset by the continuation of initiatives funded from one-off resources and the capital and revenue investments outlined in the report and the Council's "business winning, business supporting approach".</i></p>
IMPACT ON SPECIFIC WARDS	Yes/No	<i>Borough-wide impact.</i>

5. PREVIOUS MINUTES.

- Full Council 5 March 2017 – Service & Financial Planning 2017/18 – 2019/20
- Cabinet 4 January 2018 – Service & Financial Planning 2018/19 – 2019/20.
- Cabinet 15 February 2018 – Service & Financial Planning 2018/19 – 2019/20

6. NATIONAL CONTEXT.

- 6.1 When the coalition Government was formed in May 2010 they committed to eliminating the national budget deficit. This remains an objective of the current Government although the target date for achieving a balanced national budget has slipped very considerably.
- 6.2 Since 2010, the Government has also protected many areas of public spending – but not local government. Councils have therefore faced very significant reductions and despite the growing awareness of the severe pressures facing Adult Social Care and Children’s Safeguarding services in particular this disproportionate targeting of reductions in national funding for councils is set to continue for the foreseeable future.
- 6.3 George Osborne delivered his Comprehensive Spending Review on 25th November 2015. The Spending Review 2015 (SR15) report set out the Government’s spending plans and priorities for 2016/17 to 2019/20 and set out expectations for economic growth, inflation and tax receipts. No date for a further Comprehensive Spending Review has been announced by the current Government.
- 6.4 Philip Hammond, Chancellor of the Exchequer, delivered his 2017 Autumn Budget to the House of Commons on 22 November 2017. This included considerably reduced forecasts for economic growth published by the Office of Budget Responsibility (OBR) which contributed to expectations that the national budget deficit will persist until well in to the next decade. The Autumn Budget was particularly disappointing for local government as it contained no references to the pressures being faced by councils, particularly in the provision of Adult Social Care or Children’s Safeguarding services,
- 6.5 The Local Government Association (LGA) has stated that “The money local government has to deliver services is running out fast and councils face an overall £5.8 billion funding gap in just two years.” In addition to this funding gap, the LGA has also identified that an additional £1.3 billion is required to stabilise the social care provider market.
- 6.6 The LGA has highlighted that English councils will have had to deal with £16 billion of reductions to Government grant funding by the end of this decade. Nor have these reductions been distributed evenly across the country, with many of the councils with greatest social need receiving the greatest cuts.
- 6.7 The Department for Communities and Local Government (DCLG) issued a consultation paper on proposed changes to the prudential framework of capital finance in November 2017. These proposals could have some significant implications for example assuming that the maximum life of a capital asset (such as the construction of a building)

for funding purposes would be 40 years which would increase the annual cost of the Minimum Revenue Provision compared to current practise. The consultation closed on 22 December and the new arrangements are proposed to be effective from 1 April 2018. Any financial implications for the Council cannot be properly assessed until final proposals are issued by DCLG but could potentially increase the budget shortfall in 2018/19 and later years. For 2018/19 and 2019/20 any additional shortfall could be covered by additional use of one-off resources. At the time of preparing this report DCLG had not issued final proposals and if they do come in to effect from 2018/19 as suggested in the consultation document, the Treasury Management Strategy which was considered by the Audit Committee on 30 January 2018 may need to be updated. This report, therefore included a delegation to the Council's Chief Financial Officer to make changes to reflect the final DCLG proposals after consultation with the Chair of the Audit Committee and Cabinet Member for Council Finance, Commercial Services and Economic Development

7. LOCAL CONTEXT

- 7.1 The Government's low priority for local government compared to other parts of the public sector and its subsequent significant transfer of risks to the local government sector including the introduction of local Council Tax Support rather than centrally funded Council Tax benefits and local retention of business rates at a time when it is also radically reducing the grant that it gives to councils clearly all combine to increase the level of financial risk faced by councils. It is therefore essential that the Council has a medium term service and financial planning strategy in place that includes approaches to reduce reliance on government funding, that an appropriate level of reserves and contingencies is maintained by the Council and that financial performance across the Council is effectively controlled. The Council has a long track record of highly effective financial management and has again received an unqualified External Audit opinion for its latest set of accounts.
- 7.2 Since 2010, Telford & Wrekin Council has faced cuts in the grant we receive from Government whereas prior to this date the grant would increase each year to recognise inflationary and other pressures. The scale of these cuts and the protracted period over which they continue to be made are unprecedented. The cuts in our grants are being made at a time when demand for many services, such as safeguarding children against harm or neglect and Adult Social Care have been increasing. These factors combine to place this Council, like most others, under extreme financial pressure. Since 2010 the Council has had to make ongoing budget savings of £110m pa. This is equivalent to just under £1,500 less that the Council has to spend each year on delivering services for every household in the borough. Further details of savings made to date are included in Appendix 18.

- 7.3 The Council has sought to offset part of the loss of Government grant by generating income by adopting a more commercial approach whilst seeking to recognise and manage risks as far as possible. We were the second council nationally to open a commercial solar farm and are currently investing in NuPlace, a wholly owned company, which offers good quality homes, mainly at market rents. Both of these schemes generate a profit after paying the loan used to fund the investment and other operating costs. The profit from these and other commercial projects and from our participation in the West Mercia Energy Joint Arrangement is used to help reduce the amount of cuts that we would otherwise have to make to the services that the Council provides.
- 7.4 The Council is also committed to investing in Telford's future. Ensuring that the Borough is an attractive place to live, work and visit is essential if we are to attract new businesses that will create jobs and bring prosperity to the area and the people that live here. The Council also benefits from retaining a share of any additional business rates which helps to minimise the cuts that we have to make to services. Under Government proposals the share of additional business rates growth that is retained will potentially increase to 100% (98% to the Council and 2% to the Fire Authority), with a first step to 75% in 2020/21.
- 7.5 As part of our "Business Winning, Business Supporting" Approach, the Council is investing an additional £50m in our Property Investment Portfolio which will be invested within the Borough in new and also existing industrial, commercial and property holdings. The net return after debt charges will be used to support front line services as will additional retained income from business rates.
- 7.6 In March 2017, the Council set a medium term budget strategy with specific detailed proposals for both 2017/18 and 2018/19. Key features of which were:-
- Given the Government's decision, after 5 years, not to provide Council Tax Freeze grants in future a decision was made to increase Council Tax by 1.2% each year from 2016/17 through to 2019/20. Whilst Council Tax is a significant household bill it remains comparatively low in the Telford & Wrekin area as illustrated in the graphs at Appendices 1 and 2.
 - A decision to implement the Government's new "Adult Social Care precept" equivalent to a further 2% Council Tax increase each year from 2016/17 to 2019/20 so giving a total Council Tax increase for services provided by this council of 3.2% each year during this period.
 - Continuing the Council's excellent track record of delivering the required budget savings and sound financial management.
 - A commitment to continue to work with partner organisations, including Town & Parish Councils and voluntary sector and community groups to seek to identify ways to mitigate the impact of some of the cuts to

services that we can no longer afford to provide. These discussions have been very successful and the Council is committed to extending this approach further having made £744k available in a Partnership Capacity Fund.

- Maintaining our commitment to continue our existing policy of transferring grant to Town & Parish Councils in respect of Local Council Tax Support. In line with the agreement made in January 2013 the amount available to allocate is £142k following the latest cut of more than 23% to the Council's final Revenue Support Grant next year.
- Despite the unprecedented cuts in grants from Government, due to our strong financial management and our success in bidding for external funding, usually for specific capital projects e.g. to fund infrastructure rather than for revenue (or day to day running costs), the Council made a number of investments. Many of these form part of the approved Capital Programme totalling over £250m:-
 - Over £60m being committed for transport and highways improvements over the medium term. These projects are funded by specific capital funding that the Council successfully bid for from the DfT, DCLG and from the Marches LEP as well as from Section 106 agreements that the Council has negotiated with developers together with some funding from the Council's own capital resources.
 - Secured £3.7m from the West Midlands Combined Authority to kick-start building new homes on stalled brownfield sites in the borough. This brings many benefits – it will see around 540 new homes built as well bringing “derelict” brownfield land back into use and create 240 jobs. Work on these sites has stalled because of high costs for developers to remediate the land. The grant is the equivalent to almost 150 years of WMCA membership fees for the Council. When constructed these new homes will generate additional ongoing income for the Council from Council Tax of over £0.5m pa and New Homes Bonus grant of a similar amount for the first 4 years after construction.
 - Additional investment of over £40m in NuPlace, the Council's wholly owned housing company with the profit being used to protect front-line services from cuts.
 - Additional investment of over £45m in the Council's Property Investment Portfolio to improve and develop industrial, commercial or retail facilities in order to support new and existing businesses, create and protect jobs and generate increased business rates income and a profit to be used to help protect front line services from some of the impact of Government cuts.

- Over £35m for capital investment in Education and Corporate Parenting schemes.
- Spending just under £4m over two years to roll-out Superfast Broadband to parts of the borough where there is no superfast broadband infrastructure and broadband suppliers are unlikely to invest.
- Identification of funding to campaign for the protection of services at the Princess Royal Hospital which is a key priority for the Council, as well as other important public campaigns.

7.7 The Cabinet remain committed to this medium term financial strategy.

8.0 **A COUNCIL WORKING FOR, AND TOGETHER WITH, OUR COMMUNITY**

8.1 Despite our severe financial constraints, Telford and Wrekin is a progressive Council with ambitions to improve the Borough and the lives of residents. We are tackling the impact of the Government's sustained grant cuts head on and finding new ways to deliver services and to generate income to help offset some of the grant cuts. We have a long track record of sound financial management and innovative solutions.

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

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

8.4 **From our on-going engagement with local people over many years, we are clear that they and their families have some fundamental priorities which we as a Council are working alongside them and in partnership to achieve. We know that the people of Telford & Wrekin want to live:-**

- **In a safe community** – we work in partnership with West Mercia Police to ensure that Telford & Wrekin remains a low crime area. Our work to support and safeguard children from sexual exploitation has been recognised by Ofsted as amongst the best in the country. We have worked to get Telford designated as a White Ribbon Town where

domestic violence is not tolerated. Our Public Protection team carry out a lot of unseen work to ensure that local services and facilities are safe, that nuisances are tackled and houses in multiple occupation are better managed. We have made a commitment as a Council to always look after the most vulnerable in our community.

- **In a clean environment** – we work in partnership with TWS and Veolia and also with many Town and Parish Councils and the Parish Environmental Teams to ensure that our streets, parks and public spaces are clean and tidy and that we have first class waste collection and recycling services.
- **In a place with good roads and pavements** – each year we invest in a major programme to repair and maintain our roads and pavements. We have also secured significant amounts of Government funding to improve many roads, roundabouts and junctions so that congestion caused by more cars using our roads in the future will be reduced or avoided. Through our ‘Pride in Your Community’ initiative we have also made lots of little improvements in communities and on estates that can make a big difference to everyday life.
- **Where there are first class schools and education facilities** – we work in partnership to support our primary, secondary and special schools and performance is amongst the best in the West Midlands
- **Where there are excellent and accessible hospital and GP services** – we are working with many GP practices and Health Services in our neighbourhoods to provide more joined-up health and care services that better meet people’s needs there is support in the community to help people to stay healthy. We are also doing all we can to seek to retain full Accident & Emergency services at the Princess Royal Hospital as well as the Women’s and Children’s Centre.
- **Where they have a job and there is a thriving economy** – through our Enterprise Telford approach, we are attracting more new businesses to come to our Borough every year bringing new jobs. We have also supported many existing businesses to succeed and expand. Through our ‘Pride in your High Street’ initiative, we have sought to give local businesses the key skills to both survive and thrive in our town centres. We work to protect local jobs, we have lobbied Government to retain key activity in our town such as HMRC, Cap Gemini and the Land Registry. We also work, through our Job Box and Apprenticeship schemes, to ensure local people, and particularly young people, have the skills they need to get a job.

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

9. **BASE BUDGET FOR 2018/19**

9.1 The base budget for 2018/19 (i.e. before savings are deducted and pressures are included) is summarised in the table below.

Service Area	<u>2018/19 GROSS EXPENDITURE</u>	<u>2018/19 GROSS INCOME</u>	<u>2018/19 NET EXPENDITURE</u>
	£	£	£
Health & Well-Being	18,459,626	16,501,300	1,958,326
Governance, Procurement & Commissioning	9,356,330	6,353,888	3,002,442
Customer & Neighbourhood Services	109,857,419	78,683,462	31,173,957
Business, Development & Employment	16,105,671	15,994,001	111,670
Commercial Services	42,174,134	38,108,620	4,065,514
Finance & Human Resources	10,244,989	7,036,880	3,208,109
Adult Social Services	60,514,820	18,759,475	41,755,345
Children's Safeguarding & Early Help	26,340,255	819,102	25,521,153
Education & Corporate Parenting	136,918,153	123,055,858	13,862,295
Co-operative Council	4,511,333	2,772,163	1,739,170
Council Wide Items	25,442,267	27,090,643	(1,648,376)
Netting off of Internal Recharges included above	(52,507,697)	(52,507,697)	0
Total	407,417,299	282,667,695	124,749,604
Contributions To/From Balances	2,444,000	434,750	2,009,250

Net Total

409,861,299

283,102,445

126,758,854

- 9.2 Budgets for Service Areas will be restated once the Council has made final decisions on the savings and investment proposals contained in this report.
- 9.3 The overall service and financial planning strategy for the period 2018/19 to 2020/21 is summarised in the table below:-

	2018/19 £m	2019/20 £m	2020/21 £m
Projected Budget Gap (after £4.3m proposed cut to Revenue Support Grant in 2018/19 and assumed savings previously approved) – Considered by Cabinet on 4 January 2018	9.878	19.668	32.398
Updated New Homes Bonus	-0.494	-0.671	-0.757
Updated Planning Fee Income Estimates	0.328	0.548	0.548
One-off Adult Social Care Grant announced in the final Local Government Finance settlement.	-0.484	0.000	0.000
Updated Funding projections: Business rates and top up grant	-1.433	-1.437	-0.562
Other Changes	0.204	0.050	0.016
Less Government assumption of 2% council tax increase relating to adult social care precept (18/19 and 19/20 only)	-1.212	-2.463	-2.463
Less 1.2% council tax increase in 18/19 and 19/20; 2% in 20/21	-0.727	-1.478	-2.769
Budget gap after medium term strategy for council tax increases approved at Council in March 2016 and reaffirmed in March 2017	6.060	14.217	26.411
Add additional investment in Adult Social Care	2.226	0.770	3.509
Add additional investment in Children's Safeguarding & Early Help	1.900	0.750	0.000
Less additional savings adjusted for leakage	-6.852	-12.580	-12.575
Remaining budget shortfall to be covered by use of further ongoing savings or use of one-off resources in 2020/21			-17.345

Remaining shortfall to be covered from use of one-off resources as part of a planned strategy to deliver a sustainable ongoing budget position.	3.334	3.157	0.000
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Notes:-

- The projections assume that all approved savings are delivered in accordance with currently anticipated timescales.
- Projections for 2019/20 and 2020/21 will need to be refined as further information becomes available and it must be noted that the projections for 2020/21 are subject to a very high degree of uncertainty due to the likely implementation of major changes to the local government finance system from April 2020.
- The proposed use of balances over the 2 year period is prudent following the comprehensive review of available one-off resources that has been undertaken which has identified usable balances totalling £17.85m which will potentially be supplemented by the £4.6m remaining balance in the 2018/19 contingency as reported in the Financial Management report also on this agenda.

10. OUR MEDIUM-TERM 2018/19 TO 2019/20 SERVICE & FINANCIAL PLANNING STRATEGY

10.1 A New Approach to Developing Savings Proposals Budget Engagement

10.1.1 When the Council agreed its medium term service and financial planning strategy at Council in March 2017 for the three year period 2017/18 to 2019/20, it determined that because £110m of ongoing annual savings will have been delivered by the end of the current financial year, it was essential that a new approach to the development of future savings proposals should be taken as future savings will be more challenging and more time will be needed to consult with stakeholders about options and ways to minimise impacts. Our new approach to budget engagement and development of future savings is that proposals will be developed as soon as opportunities arise and capacity allows rather than co-ordinating consultation through an annual process as historically was the case when resources were not so tight and the need to implement change not so urgent. This means that we are able to engage with our community and partners in a more meaningful way to develop more creative solutions to some of our challenges within the Borough. This also means that our budget engagement process takes place throughout the year, rather than for a 4 week period. We commenced targeted discussions with our Town and Parish Councils and voluntary sector organisations during December this year. This is the start of an ongoing dialogue that will continue throughout the year as our budget proposals are further developed. Engagement with the business community and other

partners commenced in January 2018 and will again be part of an ongoing dialogue.

10.1.2 This report identifies where we need to make savings under the 'being the change' themes:-

- Focussing on Solving Problems and promoting Social Responsibility and action to manage and reduce demand for services
- Challenging & Changing, Reviewing and Reimagining the way we do things
- Reducing our Dependency on Government Grants
- Being a Modern Organisation with Modern Practices and Where we Always Get the Basics Right

We will continue to identify where we intend to enter into a dialogue with the community and our partners in relation to service re-design or savings that will impact upon the community. Our approach will involve communication in relation to the Council's strategy for Service & Financial Planning and will identify where we intend to start a dialogue regarding those savings that have the potential to impact directly upon the community. This dialogue will be supported by the programme of community capacity building that is being delivered across the Council and coordinated by the Community Participation Team. This will enable the community and potential partners to have a greater level of input in developing solutions to some of our most difficult financial challenges. This approach supports our ethos as a Cooperative Council and will ensure that our financial strategy aligns with the themes of 'Being the Change' and is demonstrated this year by earlier involvement of Town & Parish Council and Voluntary and Community sector representatives in workshops that took place before this report was prepared. Where our budget proposals have potential to impact on a specific group of people we ensure that we carry out direct engagement with those people.

10.1.3 Our approach will continue to build upon the process we developed when implementing the library and community centre savings. This involved raising awareness of the need to reduce the cost of library and community centre provision, engaging with Town and Parish Councils and other partners to develop a model to retain these facilities, and negotiating a transitional funding support package to enable the continued delivery of these services. In the case of the libraries statutory consultation was carried out on the revised model of library provision within the Borough.

10.1.4 This approach offers the opportunity to work proactively with residents and other stakeholders such as Town and Parish Councils and the voluntary and community sector. We want to work more closely with these and other partners in identifying options and potential solutions to

the budget challenges that we face and enables us to develop a more creative range of solutions involving our communities and partners. This will include following a similar process for libraries; identifying areas in which there is a need to make savings, working with partners to develop a range of alternatives to make the savings, carrying out consultation on revised ways of delivering services where required, and providing some transitional support, where possible, to implement the agreed solution.

10.2 Approach to Future Development of Savings Proposals.

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

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

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

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

10.3 Based on this ethos we have adopted 4 core elements for our medium term service and financial strategy set out in more detail in “Being the Change” our organisational strategy to take the Council forward and help us to deliver the budget savings projected to be required over the medium term. In summary the 4 core elements are:-

- Focussing on Solving Problems and promoting Social Responsibility and action to manage and reduce demand for services
- Challenging & Changing, Reviewing and Reimagining the way we do things
- Reducing our Dependency on Government Grants
- Being a Modern Organisation with Modern Practices and Where we Always aim to Get the Basics Right

10.3.1 Focussing on Solving Problems and promoting Social Responsibility and action to manage and reduce demand for services – Target for additional savings is £0.533m.

- **“Demand Management”** - ensure that resources are targeted at those residents most in need of help. This is about understanding why people use our services and keeping them out of high cost systems.
- **“Prevention”** – avoid problems which place demand on public services by encouraging people to help themselves to prevent needs developing in the first place. This is relevant to the majority of our population and has a lifelong all age focus.
- **“Early Help & the Right Help”** – when individuals and families do need help and support, we want to identify them quickly and identify the right, effective support first time to avoid issues escalating and requiring more intensive and expensive intervention but also to avoid long-term dependency on our services. Through a whole Council approach, we will improve the customer journey to provide a better seamless journey for clients.
- **“Think Family – Strengthening Families”** – to target our resources at those families most in need of support by taking holistic approach through a key worker model to “turning around” these families. This is a partner-wide agenda and is being led by the Local Strategic Partnership (LSP) and is linked with Enterprise Telford through which we aim to deliver more jobs to promote economic independence.
- **“Working in Communities”** – to reduce demand by targeting our resources at areas in the greatest need of support and working more effectively with the resources which are already in place in our communities. Strong communities place the least demand on public services.
- **“Building Community Capacity”** – the need to harness the resources of the community, community groups and Town And Parish Councils, in helping to develop solutions 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. This approach will be strengthened by our £744,000 Partnership Capacity Fund.
 - **Community self-help** – building people’s social support networks by making best use of the resources and assets which are available in a local area – this helps people remain in and be an active part of their local community
 - **Effective co-production** – supporting the development of service provision by communities and moving away from a narrow focus of meeting needs through practitioner provided services.

10.3.2 Challenging & Changing, Reviewing and Reimagining the way we do things – Target for additional savings of £5.255m.

We continue to evaluate the organisation to understand what is working effectively and efficiently and what needs to be changed.

Through this we are able to create and seize opportunities. Examples of what we have done and will continue to deliver include:

- **Redesigning services and business process reengineering** to ensure that they are delivered in the most efficient and effective manner.
- **Redesigning and managing our “front-door”** to enable users to get the right service at the right time. Examples include “First Point for Business” and “Family Connect”.
- **Challenging Policies** – e.g. for calculation of Minimum Revenue Provision (changing debt repayment from equal instalments of principal to an annuity basis with cumulative revenue benefits of over £40m by 2019/20).
- **Working with the private sector** – including the Telford Business Board and major local employers, the management of the Telford Town Centre shopping centre, house-builders and our Universities to drive economic growth in order to generate jobs and increased prosperity for the residents of the Borough and to generate additional income for the Council from business rates and New Homes Bonus and Council Tax on new homes built in the Borough.

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

- **“Channel Shift”** by providing services and information in the most efficient way. For example, providing clear and robust information on the Council’s website will mean that residents can “self-serve” and not need to contact the Council in other less efficient, more expensive ways such as by telephone or face to face. Other examples include the use of smart phone “apps” such as our Everyday Telford App which allows people to report neighbourhood issues directly to the Council.
- **“Improving Business Intelligence”** – we are a data rich organisation, but all services need to be better at turning this data into intelligence to understand who is using our services and the outcomes they receive. 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 in neighbourhoods 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 and new arrangements for library services in some areas. Are there opportunities for Parish and Town Councils to manage and deliver other services at a more local level?

- **The Local Strategic Partnership** have committed to making “Think Family – Strengthening Families” as one of their top priorities to drive better data sharing across organisations and more integrated and co-ordinated ways of working to improve outcomes and reduce costs.
- **Supporting our Communities to be more resilient and self-supporting** - An important aspect of this strategy is ensuring that organisations within the Borough have the capacity to work with us to develop and deliver alternative service solutions. The budgets for 2016/17 and 2017/18 created a reserve to be invested in building the capacity of the voluntary and community sector in the Borough totalling £244,000 In addition, the budget approved in March 2017 allocated a further £500,000 to create a Partnership Capacity Fund. Support will also be provided to organisations to secure external funding via our Community Funding Officer within the Community Participation Team.

10.3.3 Reducing our Dependency on Government Grants – Target for additional savings of £5.135m.

We have already taken significant steps to reduce our dependency on Government Grants and we will continue to drive these forward as grant continues to be rapidly withdrawn by the Government:-

- **“Increasing income through trading our existing services”** – there are many Council services that already “trade” outside the organisation and secure income. Primarily ICT, Finance and H.R. 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 25 years.
 - Established “NuPlace”, a housing company which will provide around 400 new homes for private and affordable rent, with the first homes now occupied.
 - Established a Growth Fund to invest in development of premises for businesses to encourage job creation and retention as well as generating additional rental income and business rates income

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 75% from 2020/21 and potentially to 100% (including 2% for the Fire Authority) at some future date. The Council worked jointly with Herefordshire and Shropshire Councils and the Shropshire Fire Authority to submit an application to become a pilot authority for business rates retention arrangements. Unfortunately this submission was not successful.

- **Growth Through Good Planning** - this is a whole Council approach by which all services work to support and enable business investment in the Borough. Through this approach we have been ranked by the 2014 Core Cities Report in the top 3 local authorities for job growth and housing growth. Through this the Council will see **new Council Tax** and Business Rate receipts, as well as receiving the Governments' **New Homes Bonus** for new homes – until any major changes to the local government finance system.
- **Property Investment Portfolio** - a property investment portfolio delivering £7m income per annum from rental income.
- **“Securing external funding”** – again we have successfully driven this agenda, including £18.79m through the Marches Local Enterprise Partnership Local Growth Fund. In addition, we have also joined the **West Midlands Combined Authority (WMCA)** and are actively working through this to maximise future opportunities for the Borough to build on the £3.7m already secured from the WMCA. The £3.7m grant we have secured £3.7 million is to kick-start building new homes on stalled brownfield sites in the borough. This brings many benefits – it will see around 540 new homes built as well bringing “derelict” brownfield land back into use and create 240 jobs. Work on these sites has stalled because of high costs for developers to remediate the land. The grant is the equivalent to almost 150 years of WMCA membership fees for the Council. When constructed these new homes will generate additional ongoing income for the Council from Council Tax of over £0.5m pa and New Homes Bonus grant of a similar amount for the first 4 years after construction.

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

10.3.4 Being a Modern Organisation with Modern Practices and Where we Always aim to Get the Basics Right – Target for additional savings of £1.843m.

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

- Increased autonomy for managers and staff to take decisions
- Greater focus on development through workforce development programmes

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

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

Safeguarding our most vulnerable children and adults

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

11. CAPITAL RECEIPTS AND DEBT CHARGES

- 11.1 The Council's programme of property rationalisation has not only reduced running costs but is also generating significant capital receipts enabling us to fund some investment from internal resources rather than from increased borrowing. Debt clearly has to be repaid and adds to pressure on the revenue budget so the generation of capital receipts from the sale of surplus assets helps protect essential front line services. This reduces the amount of cuts that would otherwise have to be made.
- 11.2 The Council, unlike the Government, is not able to borrow to fund revenue services as the Council has to set a balanced revenue budget each year with any shortfall being funded by the use of balances – if available, or from further cuts to spending or increased income.
- 11.3 Debt repayments represent a long term fixed charge against the revenue budget which reduces the amount of funding available for the provision of front line services. "Good capital investment" can also fund assets which will increase in value over the longer term. Invest-to-Save schemes such as the solar farm or the Housing Investment

Programme and investment in the Property Investment Portfolio represent “good capital investment” as they earn a surplus which can be used to help protect front line services as the surplus generated helps to reduce the impact on the revenue budget of Government cuts to our grants.

11.4 In Telford & Wrekin debt repayments in 2017/18 accounted for 6.4% (2016/17 6.9%) of the net revenue budget (including payment to Shropshire Council in respect of pre-unitary authority debt). This compares to:-

○ Birmingham	34.8%
○ Unitary Authority average	9.6%
○ Shropshire	9.0%
○ Telford & Wrekin	6.4%

11.5 Debt repayments in the average unitary authority are 50% higher as a proportion of net revenue stream compared to Telford & Wrekin. A graph showing the percentage of the net revenue budget allocated to debt repayments in 2017/18 for all unitary authorities is included in Appendix 6.

11.6 Our programme of asset sales totals £41m over the medium term. The planned profile of these receipts is shown below:

	£m
2017/18	7.440
2018/19	10.943
2019/20	6.734
2020/21	10.412
Later years	5.500
Total	41.029

11.7 Generation of these receipts is a key assumption within the service and financial planning strategy. The Council has a detailed schedule of asset disposals to address this and this schedule is regularly monitored by both officers and members of the Audit Committee and all the revenue consequences of temporary financing pending these scheduled disposals are built in to the Council’s base budget projections contained in this report. This dependency will continue to be subject to close monitoring. If any delay is experienced in generating expected receipts, mitigation factors could include a combination of re-phasing some capital spending schemes, identification of other assets for disposal or additional borrowing on a temporary or long term basis although this would increase revenue costs and necessitate further cuts to other services or the use of additional one-off resources.

12. SECTION 106 AGREEMENTS

- 12.1 Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. S.106 agreements are often referred to as 'developer contributions'. The common uses of planning obligations are to; secure affordable housing, to secure financial contributions to provide infrastructure (for example relating to necessary highways works to provide access to the development) and to help fund new educational facilities for the children of families that move in to newly built houses. Careful negotiations are undertaken with developers in reaching the s.106 agreement which are legally binding and clearly state what the funding can be used for.
- 12.2 Legally a S.106 can only be requested when it is:
1. necessary to make the development acceptable in planning terms
 2. directly related to the development; and
 3. fairly and reasonably related in scale and kind to the development.
- 12.3 Negotiations have to ensure that developments remain viable and the National Planning Policy Framework (NPPF) states where obligations are being sought or revised, local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.
- 12.4 The Council's Children and Young People Scrutiny Committee undertook a scrutiny review of Primary School Places during 2014 which considered s.106 agreements relating to education and it was agreed that details of these agreements would be included in the service and financial planning report in future years. Details are therefore included in Appendix 10 for the period 1st April 2017 to 31st October 2017 showing income and expenditure on each scheme relating to Education. Details of these and all other s.106 agreements will be included in the final accounts report which is considered by Cabinet in June of each year to show the year-end balance and in-year movement relating to each current s.106 agreement.

13. MEDIUM-TERM FINANCIAL OUTLOOK

13.1 Local Government Funding Reform

- 13.1.1 Fundamental changes were made to the local government finance system from 2013/14 including the localisation of a share of business rates, the replacement of the national Council Tax benefit scheme with local Council Tax Support schemes and the transfer of responsibility for Public Health services from the NHS to councils. This current local government finance system represented a significant transfer of risk from the Government to councils but also brought opportunities and incentives to encourage growth in local communities. This Council is

well placed to benefit from the current financial system with an attractive environment, good motorway connections and ready to go development sites. We have grasped the challenge to become a “Business Supporting, Business Winning” Council.

- 13.1.2 The Government is reviewing the assessment of relative needs which will impact on the distribution of resources between councils with a further consultation paper issued on 19 December 2017. The Government have now indicated that the target date for implementing these changes and the planned move to 75% retention of business rates by local authorities is 1 April 2021. The Government have previously made it clear that they will not merely pass the additional funding to councils to make up for the cuts to our grants but rather, they will cease other funding streams such as the Public Health Grant which is currently over £12m pa and potentially also pass additional responsibilities to councils so that the transfer is fiscally neutral at both a central and local government level. However, there is little indication of what additional responsibilities may be transferred and how much additional risk the Government are seeking to transfer for demand led services as well as 75% (with an expectation that this will ultimately increase to 100%) of the risk that relates to the collection of business rates, income from which is likely to decrease during economic downturns when demand for many of our services also tends to increase. As part of the system “reset” in 2020/21 the benefit of growth in business rates received by councils since April 2013 will be lost as new “baselines” will be set as part of the move to the new system. No information is available relating to any transitional arrangements that may be put in place to limit the maximum changes that an individual council might face in its level of resources in the first year of implementation.
- 13.1.3 Appeals against Business Rates are currently a very significant issue as the Government’s Valuation Office Agency takes a considerable period of time to process appeals. Currently around two thirds of the total rateable value in the borough is subject to appeal. The Council has to estimate what proportion of these appeals will be successful and to what extent successful appeals will reduce the rates collected. Transferring 100% of business rates income to councils potentially doubles this exposure to the risk of appeals against Valuation Office Agency decisions on rateable values.
- 13.1.4 This Council will continue to take every opportunity through official consultation processes and other opportunities as they arise to lobby for a fair funding settlement for Telford & Wrekin residents. Detailed responses to all official consultation opportunities offered by the Government to date have been sent by the Council.
- 13.1.5 The Council sent a response to the provisional settlement which was agreed by the Cabinet Member for Council Finance, Commercial

Services & Economic Development. This response drew attention to the wholly inadequate funding for Adult Social Care.

13.1.6 The Government's proposal last year to allow additional funding to be raised from increasing the Adult Social Care precept more quickly than it had originally assumed and the new proposal this year to increase the referendum threshold by 1% simply transfer the cost of funding this essential service from national tax receipts to local Council Tax payers. It also favours areas that already have higher levels of Council Tax and/or higher value properties as a 1% Council Tax increase clearly raises more in these areas than in Telford & Wrekin which has a comparatively low rate of Council Tax and where the average property is in Band B compared to Band D nationally. Areas with higher value housing stock also tend to have lower levels of need as they tend generally to have healthier and wealthier populations with a consequent increase in the number of "self-funders" and fewer people requiring council funded care and support for as long as in more deprived areas.

13.1.7 This high degree of uncertainty does nothing to assist with medium term service and financial planning. Despite the Government's offer of 4 year grant settlement (for the period 2016/17 to 2019/20) this only relates to Revenue Support Grant. Projections of what the council's budget gap might be in 2020/21 and beyond are currently extremely difficult and will be refined as and when additional information becomes available.

13.2 New Homes Bonus

13.2.1 New Homes bonus is a significant funding Stream for the Council. The future operation of the New Homes Bonus scheme was subject to consultation in December 2015. The outcome of this consultation was not announced until a year later as part of the Provisional Local Government Finance Settlement and implemented a number of significant changes including:

- Total available funding was reduced.
- The number of years for which legacy payments are made was reduced from 6 years to 5 years of payments in 2017/18 with a further reduction to 4 years worth of payments from 2018/19 onwards.
- A national baseline of 0.4% of the Council Tax base for 2017/18 will be introduced, below which the bonus will not be paid as the Government has assumed that this reflects a percentage of housing that would have been built anyway. This baseline may alter in future years.
- The local growth, in terms of numbers of properties, above the baseline is then multiplied by the national average band D Council Tax to give the actual grant entitlement. An additional bonus of £350 for each affordable home is payable and is outside the baseline.

13.2.2 In December, the Council received notification of the provisional New Homes Bonus allocation for 2018/19 which has subsequently been confirmed as part of the final settlement announced on 6 February

2018. The Government did not, as had been widely anticipated, increase the baseline assumed rate of increase from 0.4% (which would have reduced the number of properties that New Homes Bonus would be payable on). The allocation for next year totals £6.242m which is £0.494m more than had been assumed. This additional funding had not been taken into account in the January Cabinet report but has now been incorporated into the projections.

13.3 Local Government Finance Settlement

13.3.1 In the 2016/17 settlement indicative Revenue Support Grant figures were also included for the following three years. The Government offered councils that submitted an acceptable “Efficiency Strategy” a firm 4 year grant settlement. This Council submitted its efficiency strategy and received confirmation that we are eligible for this 4 year grant settlement. To some extent this assists with medium term financial planning. However, it has to be recognised that the 4 year offer only relates to Revenue Support Grant which represents an ever decreasing proportion of our total funding.

13.3.2 Despite persistent requests from across the local government community over many years for an early settlement so that effective financial planning can be undertaken, the provisional settlement was not announced until 19 December 2017. This late announcement makes planning and forward projections extremely difficult and compresses the time available for consultation. The final settlement was only announced on 6 February 2018 and confirmed the 23% cut to Revenue Support Grant for next year and a further 30% cut in 2019/20. As expected this settlement will force the Council to continue to make cuts on an unprecedented scale as it has a legal duty to set a “balanced budget”. The report considered by Cabinet on 15 February, was prepared prior to receipt of the final settlement. A delegation from Cabinet was sought to enable the Council’s Chief Financial Officer to make any necessary changes to the Council’s Service and Financial Planning Strategy relating to the final settlement, once it has been received, following consultation with the Cabinet Member for Council Finance, Commercial Services & Economic Development, with any increase or decrease in the level of available funding being balanced by a corresponding change in the level of one-off resources needed to balance the 2018/19 budget. The use of one-off resources in 2018/19 has therefore been reduced by £0.484m in line with the additional one-off grant for Adult Social Care received as part of the final settlement. The gross spend for Adult Social Care clearly is not impacted by this change as the Council had prioritised additional investment in to the service in order to meet projected levels of demand. In total over £6.5m additional investment will still be made by the Council in to the Adult Social Care budget over the next 3 years.

13.3.3 Whilst the Comprehensive Spending Review and Autumn Budget set the strategic financial overview for the Government as a whole over the medium term, the local government finance settlement sets out the

specific proposals affecting local government for 2018/19 with details for each council being provided. Key issues for the Council include:-

- A period of consultation was held on the provisional settlement until 16 January 2018. The Cabinet Member for Council Finance, Commercial Services & Economic Development approved the council's response to the provisional settlement.
- The referendum limit for unitary authorities was set at a 3% core threshold plus a maximum of 3% social care precept for 2018/19.
- The actual amount of business rates available for the budget strategy was confirmed when the NNDR 1 form was completed and submitted in January 2018.
- What is clear, however, **is that, as expected, the Council's Revenue Support Grant has been cut by 23.3% for next year in cash terms.** In overall terms, the settlement information received to the date of drafting this report is broadly as expected and means that the Council will have to continue to make very difficult choices about how it prioritises spending decisions.

13.4 Future projections.

13.4.1 It is very difficult to make accurate projections of the likely budget gap that the Council may face in the years beyond 2018/19 despite the Revenue Support Grant figures provided through to 2019/20. The Council faces many uncertainties, these include the:-

- Impact of successful appeals by ratepayers against the Valuation Office Agency's rateable values,
- Impact of the "Fair Funding Review" as some areas will lose from this whilst others will gain and the timing of the introduction of these changes as well as the impact of any transitional arrangements which phase in the changes.
- Considerable uncertainties exist around how the local government finance system will change and the implications at an individual council level with the move from 50% retention of business rates to a position as now suggested by the Government of 75% retention with perhaps eventually moving to 100% retention with uncertainties over what other funding streams will be eliminated and new responsibilities transferred to councils so that at a national level the change is fiscally neutral.
- Impact locally of the additional responsibilities that may be transferred to councils as part of the move to 75% and, potentially at some point, 100% local retention of business rates,
- The trend of schools to move to Academy status and the consequent risk of loss of existing and potential council income for a wide range of services to academy chains. Income from selling services to schools both within and outside the Borough now totals £9.6m pa
- The degree to which uncertainty caused by Brexit will impact on interest rates, business confidence and exchange rates with an impact on the rate of inflation – any of which could significantly affect the Council's medium term financial projections.

- Volumes of activity in demand led services which the Council cannot control e.g. the number of children that need to be taken in to care to protect them from harm, neglect or abuse and the growing national problem of increasing numbers of homeless people.

13.4.2 However, it is clear that the Council faces further significant grant cuts in both 2018/19 and 2019/20. The 4 year settlement provided the following projections for Revenue Support Grant:-

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
RSG	24.899	18.457	14.147	9.812
% Reduction from Previous Year	-20.81%	-25.88%	-23.35%	-30.65%

13.4.3 It is therefore essential that we now use the best available information to estimate the likely level of budget shortfall in later years so that we can start to plan ahead now. After having delivered £110m of annual savings already, it is clear that further cuts will be more challenging so we will start to discuss potential future service options and possible approaches to bridging the gap in these years whilst seeking to minimise impacts on our community with Town and Parish Councils, local community groups, service users, the voluntary sector and other partner organisations.

13.4.4 The Council's budget model includes many assumptions on factors that will impact on the anticipated scale of the budget shortfall that we will face in future years including assumptions on major income streams and spending. Using the best information currently available we currently anticipate that the Council will face the following budget shortfalls over the medium term. These projections will be regularly updated as further information becomes available:-

	2018/19 £m	2019/20 £m	2020/21 £m
Expected budget shortfall before additional pressures or savings but after assumed increases in Council Tax*	6.060	8.157	12.194
Expected cumulative budget shortfall	6.060	14.217	26.411

* These figures assume that all approved savings are delivered in full and according to currently assumed timetables. They also reflect the decisions taken at Council in March 2016 for Council Tax increases totalling 3.2% pa (including the Government's assumed 2% for the Social Care Precept) through until and including 2019/20 but are before any further use of one-off resources, additional investments or savings.

13.4.5 The projections for years after 2018/19 are only intended as a broad indication at this stage for planning purposes and the estimates will be further updated as additional information becomes available.

13.4.6 It is with this medium term focus in mind that pressures and any developments have had to be considered. The approach adopted in preparing this strategy has been to maximise ongoing savings as far as possible whilst seeking to approve only unavoidable pressures in key front line services providing support to the most vulnerable in our community.

14. 2017/18 PROJECTED OUTTURN POSITION

14.1 As the Financial Management report also on this agenda shows, excellent financial control is being exercised and good progress is being made in delivering the overall budget for 2017/18 in very difficult circumstances and although there are some areas of significant pressure and the actual outturn will clearly be different as we are only part way through the year. The final outturn may be a better or worse position than that currently shown in the Financial Management report and it is clearly essential that all Cabinet Members and budget holders continue to exercise tight financial control and to deliver all planned savings. However, it is anticipated that the Council will have some one-off funding available at year end (currently estimated to be in the region of £4.6m) which will be used to support one-off costs associated with the delivery of this medium term service and financial planning strategy by supplementing the Council's Invest to Save/Capacity Fund.

15. SAVINGS PROPOSALS 2018/19 AND 2019/20

15.1 Appendices 4, 5 and 14 include details of additional savings proposals for 2018/19 and 2019/20. After making an allowance for the benefit from the savings that will leak to non-General Fund revenue budgets (mainly capital and Dedicated Schools Grant budgets) these savings proposals total £6.852m in 2018/19 rising to £12.580m in 2019/20.

15.2 An analysis of the savings proposals by "Being The Change" theme is shown in the table below:-

	2018/19 £'000	2019/20 £'000	Total £'000
Solving problems and promoting social responsibility and action to manage demand	319	194	513
Challenging & changing, reviewing & re-imagining the way we do things	2,682	2,438	5,120

Reducing our dependency on Government grants	2,901	2,511	5,412
Being a Modern Organisation with Modern Practices	1,054	672	1,726
Leakage	-104	-87	-191
Total	6,852	5,728	12,580

15.3 Further detail is included in Appendices 4, 5 and 14 (which includes full year implications from 2020/21 so the totals do not correlate with the figures above) and in the summaries of the Cost Improvement Plans for Children’s Safeguarding & Early Help and Adult Social Care which are included as Appendices 12 and 13.

16. INVESTMENTS

16.1 Additional ongoing investment is required in Adult Social Care budgets in order to meet the needs of vulnerable people. This investment totals £2.226m in 2018/19, rising to £3.509m ongoing from 2020/21. In total, the council will be investing an additional £6.5m in to Adult Social Care over the next three years.

16.2 Additional investment is also required in Children’s Safeguarding & Early Help totalling £1.9m in 2018/19 and £0.750m in 2019/20. This is an increase of £2.25m compared to the figures included in the January report which has been funded by directly allocating funding that was previously held within a £3m contingency. The remaining balance in the contingency has been topped-up and now stands at £1m which will be available to provide additional support for Children’s and Adult’s services during 2018/19 if required.

16.3 The Council has agreed a significant programme of capital investments totalling over £250m which will bring significant benefits to the Borough. These are detailed in the Capital programme report included in this suite of service and financial planning reports. The programme of Pride in Our Community investments continues in to 2018/19 and details are included in Appendix 17. In 2018/19 these include:-

- £18.6m on Highways and Infrastructure schemes which includes
 - £3.36m to improve street lighting by continuing to install LED lighting
 - £0.85m to improve footpaths,
 - £0.7m for estate car parking improvements
- Over £0.7m for environmental pressures
- £0.5m for various small scale projects and local regeneration initiatives and
- £0.108m to continue the Member Pride fund of £2,000 per councillor.

17. COUNCIL TAX

- 17.1 Council Tax in Telford & Wrekin has historically been low compared to other councils. Appendix 1 is a graph comparing Council Tax levels across the Midlands region and demonstrates that Council Tax in this area is the third lowest in the Midlands region at Band D (£1,222.10) and is only 0.43% higher than Dudley which is lowest (£1,216.92). Appendix 2 compares our Council Tax to the other unitary authorities in England and shows that we have the fourth lowest Council Tax at Band D out of 55 unitary authorities being over £135.88 less pa (10% less) at Band D compared to the average.
- 17.2 If Telford & Wrekin Council had levied a Council Tax at the average level of Midlands authorities (£1,371.59 at Band D) in the current year, we would have generated an additional £7.3 million p.a.
- 17.3 A further factor that has reduced resources in this area is “grant damping” whereby grant that the Government has calculated should be paid to this council is withheld and used to support spending by councils that would otherwise receive less grant e.g. as a result of reducing population numbers. In the calculations used to establish the current local government finance system which came in to effect from 1st April 2013, £1.6m pa of this loss was perpetuated in the new baseline funding settlement for the Council and will be withheld from us for the foreseeable future.
- 17.4 The Council also continues to suffer from a population undercount. We believe that the Office for National Statistics undercounts our population by around 4,000 people which has resulted in a further loss of grant of around £1.2m pa. in recent years.
- 17.5 As well as a comparatively low level of Council Tax, this area also has comparatively low property values with the majority of our properties being in Council Tax Bands A or B. Whilst this is relatively good news for local residents in terms of their Council Tax bill and although we appreciate that Council Tax bills are still a significant cost for local households, it means that we do not have the same scope to generate income from Council Tax as many other parts of the country where levels of Council Tax are much higher and average property levels are also higher so a 1% increase raises considerably more per property than it does in Telford & Wrekin.
- 17.6 The council has previously agreed a medium term strategy for Council Tax increases through to and including 2019/20 and this is reaffirmed in this report i.e. that Council Tax should be increased by 3.2% (made up of 2% in respect of the Government’s Adult Social Care Precept and a general Council Tax increase of 1.2%) in both 2018/19 and 2019/20. As explained in sections 1.8 and 1.9 the Council does not support the Government’s approach of simply transferring the cost of funding Adult Social Care from national taxation to local Council Tax payers by making

cuts to the grants previously made to councils and then expecting local taxpayers to pick up a higher bill.

18. BASE BUDGET, BALANCES AND CONTINGENCIES

18.1 Base Budget

18.1.1 A summary of the Base Budget position is included at Appendix 7 which shows a net base budget of £126.759m for 2018/19 before savings and investments giving a base budget funding shortfall of £6.060m – after the assumed Council Tax increase of 3.2% but before the essential new investments flagged above are reflected. Appendix 8 includes an analysis of the main changes in moving from the 2017/18 budget to the 2018/19 base budget.

18.2 Balances

18.2.1 Appendix 9 summarises the overall reserves and balances position of the Council after taking account of the various earmarked reserves and the risks faced by the Council. This currently shows around £17.85m available which could be taken in to account as part of medium term budget strategy considerations. However, this figure excludes the currently projected underspend of £4.6m in the current financial year as reported in the Financial Management report also on this agenda as this position will change before the end of the year.

18.2.2 A rigorous review of all reserves, provisions and balances has been undertaken. This has benefitted from very good collection for Council Tax and business rates in recent years which has resulted in additional funding accumulating in the collection funds which can now be released and forms part of the £17.85m referred to above. The Government's temporary relaxation of the rules for using capital receipts has also enabled some one-off funds to be released. The Government have offered Councils the ability to fund the one-off costs of service reform projects from new capital receipts generated during a three year period commencing from 1st April 2016. This has enabled some funds previously committed to fund one-off invest to save initiatives and severance costs etc. to be released but will result in higher levels of debt than would have otherwise been the case and therefore higher debt charges than would otherwise have been the case as all capital receipts would otherwise be used to fund planned capital projects. However, whilst the debt charges are ongoing they will be more than offset by the ongoing savings generated from the invest to save measures. In order to take advantage of this flexibility Full Council would need to approve an updated "Efficiency Strategy" at Appendix 15. The Secretary of State for Communities and Local Government announced as part of the provisional settlement on 19th December 2017, that this temporary flexibility is proposed to be extended for a further three years up to, and including, 2021/22. This was confirmed as part of the final settlement and provides additional assurance of the financial robustness of this set of budget proposals as the Council will not have to fund severance and other costs of

transformation from revenue resources for this period although it could still choose to do so.

- 18.2.3 The funding released from this review gives total “usable” one-offs of £17.85m which will be used to support the delivery of the medium term service and financial planning strategy as set out in this report. It is proposed to use some of these uncommitted one-off resources to support the revenue budget in both 2018/19 and 2019/20 and to earmark £1m to create a one-off additional contingency for 2018/19 to pending the full implementation of the cost improvement plans for Children’s Safeguarding & Early help and Adult Social Care. This will also give comfort that the proposals contained in this report are financially robust given projected levels of spending in Children’s Safeguarding in the current year, particularly as the significant benefits obtained in recent years from treasury management activities cannot be assumed to be available in later years as the Council will “lock-in” to longer-term fixed rates of interest (as opposed to running a loan book with exposure to very short-term but low cost funding) when advised by our treasury management advisors to do so.
- 18.2.4 In addition £1.75m is available in the Severance Fund. The Council is currently benefitting from a temporary relaxation in the capital financing regulations which allows new capital receipts to be used to fund severance costs for the three year period starting 2016/17 and ending in 2018/19. The Secretary of State for Communities and Local Government announced as part of the Provisional Settlement on 19th December 2017, that this temporary flexibility is proposed to be extended for a further three years up to, and including, 2021/22. If confirmed, this will mean that provided new capital receipts are generated as expected, it will not now be necessary to supplement the Severance Fund in order to cover severance costs from 2019/20 onwards if new capital receipts can be generated and allocated for this purpose.
- 18.2.5 The Council also currently has an uncommitted balance of £1.6m in the Invest to Save/Capacity Fund. A number of commitments are now relatively old and need to be reviewed to assess whether they are still required or whether the commitments can be released. Some further approvals will be required to support delivery of some of the additional savings now being developed. The recommendations contained in this report include bolstering the balance of this fund by £1m from the superannuation benefit referred to in section 5.1 of the Financial Management report also on this agenda.
- 18.2.6 The Partnership Capacity Fund has a current balance of £0.744m. There is very little currently committed against this although our new community grants scheme will result in an increase in expenditure against this fund. We will also be funding the initial Local Authority Lottery costs out of this budget.

18.2.7 As detailed in the Financial Management report also on this agenda, the Council is currently projected to have around £4.6m of contingency available at the end of 2017/18, (excluding the £1m benefit referred to in section 5.1 of that report) although this position will inevitably change during the remainder of the year. It is proposed that any underspend available at year end will be used to supplement the Invest to Save/Capacity Fund or the Severance Fund in order to support the delivery of future savings.

18.3 Risk Management

18.3.1 As an organisation which provides a vast range of different services to the community and spends revenue and capital resources of around £500m pa, the management of risks is an important consideration in the budget setting process. The Council has a strategic risk register – included at Appendix 16, which is used to identify the substantive issues which may impact negatively on the delivery of the Council's priorities and may also have a financial impact. This is regularly reviewed by Senior Management Team to manage risks and mitigate potential exposures both as part of everyday business and as part of decision making processes. The budget for 2018/19 also includes a number of risk-mitigating elements:

- Despite the financial challenges being faced, the Council has a clear goal to attract new jobs and investment and promote growth in the borough and is committed to an investment programme which will safeguard the prosperity of the borough – growth will result in additional Council Tax, new homes bonus and business rates pending major changes to the system which are being developed by the Government and will come in to effect from 2020/21 and causing a high degree of uncertainty to projections of the Council's financial position from this year onwards.
- A key focus of the budget is on income generation, thus reducing the Council's reliance on Government Grant in the future. All proposals are subject to a rigorous business case development process to manage and mitigate risks as far as possible and are funded in accordance with the Council's approved Treasury Management Strategy after taking advice from professional advisors. Treasury management decisions are managed at this strategic level in order to deliver best value rather than individual loans being taken out for spending on each separate capital project which often span several years.
- An Invest to Save & Capacity Fund and a Partnership Capacity Fund are in place to provide additional resources for priority areas and to assist with the delivery of savings, again bids are subject to a rigorous business case development process.

- Although very challenging, where appropriate delivery of, savings have been phased over a number of years to allow adequate time for full consideration, consultation and implementation.
- The Council has a comprehensive employee restructuring programme which is used consistently and supported by clear, costed rationales to support reductions in ongoing costs whilst maintaining the delivery of essential services and minimising compulsory redundancies as far as possible.
- Contingencies have been built into the budget: a general contingency of £3.0m as well as a one-off contingency of £1m in 2018/19 to be available pending implementation of the cost improvement plans for Children's Safeguarding & Early Help and Adult Social Care;
- £2.226m additional investment in Adult Social Care in 2018/19 rising to £3.509m from 2020/21.
- £1.9m ongoing investment in to Children's Safeguarding & Early Help in 2018/19 and £0.75m in 2019/20 to support Looked After Children.
- In addition, allocations of £1m for Children's Safeguarding & Early Help and £0.4m for Adult Social Care from the Invest to Save/Capacity Fund were approved during 2017/18 to support measures to improve services and financial sustainability.
- A robust financial monitoring regime is in place to identify any adverse variances early so that timely corrective management action can take place. Additional in year savings targets have been delivered in recent years to meet service pressures.
- The projected financial outturn for 2017/18 currently shows a considerable underspend which will be available to support the 2018/19 budget strategy and the delivery of future savings by supplementing the balance available in the Invest to Save/Capacity Fund.
- The Council has General Fund balances as a safeguard against unforeseen costs (prior to any increase as a result of the anticipated favourable outturn for 2017/18). As explained in section 18.2 of this report a rigorous review of reserves and balances has been undertaken which has released a considerable sum. This will be used to support the medium term service and financial planning strategy.
- In extreme emergency circumstances, general balances and some other funds that have been set-aside for specific purposes could be used and then replaced as part of a future strategy.
- The Council holds £11.92m set aside for one-off costs associated with the equal pay settlement. This is a significant sum which will be reviewed as modelling work on the likely settlement is firmed-up.
- Capital Programme resources are available, in accordance with the Prudential Code of Borrowing and capacity may exist to capitalise

expenditure planned to be funded from revenue in extreme circumstances.

- There is an effective Treasury Management Strategy which aims to maximise returns for the Council while minimising risks with a solid track record of exceeding targets set.
- Appropriate insurance arrangements are in place to safeguard the council's assets and protect against liabilities.
- Financial advice and support is provided by professional and experienced in-house finance staff, drawing on external knowledge for specific projects where appropriate.
- All reports considered by SMT and Cabinet are required to include financial and legal comments prepared by suitably qualified officers to ensure that financial and legal implications are clearly understood before decisions are taken.

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

18.4 Inflation Assumptions and Contingencies

18.4.1 The Council's budget model includes an allowance for pay awards of 2.7% (to reflect the overall cost of the national pay offer) for 2018/19, 2019/20 and 2% for 2020/21. If actual pay awards are lower than this the saving will be used to reduce the savings requirements for these years. If they are higher the Council will need to find further savings. After 8 years of considerable pay restraint which have seen the pay of council employees cut in real terms by over 20% (and considerably more for the most senior roles) there is a risk that as the economy improves the Council may not be able to retain or attract suitably skilled staff to deliver services in what is now a very challenging environment.

18.4.2 In accordance with practice in recent years, no allowance has been built in for general inflation, although some provision for contractually committed inflation has been made and some provision for the additional costs that care providers will face as a result of the new national "living"/minimum wage.

The base budget for 2018/19 includes a base revenue contingency of £3m. and also a one-off contingency of £1m to be available in 2018/19 pending the full implementation of the cost improvement plans for Children's Safeguarding & Early Help and Adult Social Care.

18.5 Single Status

18.5.1 The Council is planning to implement a new job evaluation scheme during 2020/21 to meet the requirements of the Single Status legislation. This timetable has slipped from that previously reported as further work to refine the process has been agreed with the unions which will improve the quality of the exercise but will require additional time to complete. An allowance for additional costs arising from this has been built in to the budget for 2020/21 of £0.601m rising to £1.270m in 2021/22. This figure has been reduced compared to previous estimates by £0.1m to reflect the considerably smaller workforce that the Council now has and which is expected to continue to reduce as further budget savings have to be made. This is after allowing for existing commitments against the funding previously earmarked e.g. to meet the costs of moving away from fixed point grades and some additional payments for social workers to reflect market rates. It is in the context of introducing a local job evaluation scheme that will have a lower on-going cost than previously assumed. In addition to the ongoing budgetary provision £11.92m one-off funding was set aside several years ago to meet any one-off costs associated with implementing the Single Status agreement.

19. EDUCATION FUNDING – DEDICATED SCHOOLS GRANT

19.1 The Government have implemented a National Funding Formula at Local Authority level for the allocation of the Dedicated Schools Grant (DSG) in 2018-19. The allocations for each block of funding, based on a combination of formulaic and historic information, were issued just before Christmas, as follows:

19.2 **Schools Block £111.3m** - funding for all mainstream primary and secondary schools via a local funding formula, although this is likely to be changed to a national funding formula (NFF) at school level within the next few years. The illustrative figures from the DfE (illustrative as the final allocations will be based on demographic data at the time) show Telford & Wrekin schools block funding ultimately increasing by 7.0% compared to the 2017/18 baseline, once the NFF is fully implemented. Nationally, only 12 local authorities (of 150) are modelled to receive a higher increase than this. The increase per pupil is limited to 3% per annum in a single year, however, so it will be several years before the full benefit feeds through to schools. Nonetheless, a combination of an increase in funding per pupil and more pupils means that there is an increase of over £5m in 2018/19 school block funding compared to 2017/18.

19.3 **High Needs Block £21.3m** - funding Special Educational Needs (SEN) placements and support, special schools, pupil referral units and other alternative provision. For the Telford & Wrekin High Needs Block, the allocation represents an increase of over 3% in 2018/19 but unlike the schools block, there is little indication of significant further increases in subsequent years. Like many other local authorities, Telford & Wrekin is experiencing very significant budget pressure in

this area due to legislative changes and increasing need. A number of strands of work are underway to identify strategies to deal with this situation. In this context, the Schools Forum agreed to supplement the high needs block in 2018/19 by moving £550,000 (just under 0.5%, the maximum the Forum is allowed to approve) from the schools block.

19.4 **Early Years Block £12.0m** – funding for free provision for 2, 3 and 4 year olds. Provision for 3 and 4 year olds has recently (from September 2017) been extended from 15 hours per week (in term-time) to 30 hours per week for children of working parents. Funding is allocated to settings, both schools and private, voluntary and independent (PVI) providers based on a local funding formula. There was a significant increase in funding, amounting to around 8% for Telford & Wrekin in 2017/18, but no further increase for 2018/19. Cost pressures impacting upon settings include the year on year increases in the minimum (or 'living') wage.

19.5 **Central School Services Block £1.1m** - funding for statutory Local Authority central services to all schools (i.e. including academies). The Education Services Grant ceased at the end of August 2017 and the Government created this new DSG block specifically for central services. However, Local Authorities still need to get line by line Schools Forum approval of any funds used to fund central services, despite most of them being statutory responsibilities. The Forum agreed to allocate £845,000 of this block to central services in 2018/19, the remainder being used to supplement the high needs block. Statutory services that apply only to maintained schools are funded by a de-delegated amount from maintained school budgets. This amount has to be approved by maintained schools representatives on the schools forum. Maintained school representatives agreed to de-delegate £480,000 in 2018/19.

20. **EQUALITY IMPACT ASSESSMENT**

20.1 Equality Impact Assessment is a tool that is used to ensure our decision making takes into consideration the protected characteristics with regard to the General Equality Duty (GED). In short we must demonstrate that we pay due regard to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity and to foster good relations. We need to assess and analyse the practical impact on those whose needs are affected by changes to the way that we deliver our services or to our spending. We have adopted a proportionate approach that takes into account the relevance of a proposal with regard to equality. This is a measured response recognising that our resources are best aimed at dealing with those proposals that could have the most significant impact. In order to accomplish this we have followed a process designed to screen proposals and ensure that they are fully explored.

20.2 Our process involves carrying out an initial scoping exercise to determine which budget saving proposals may require action or further investigation with regard to equality impact. For proposals where implications are identified and are at a sufficiently developed state a proportionate impact assessment is undertaken. Where a proposal is still at an early stage of development an equality impact assessment will be undertaken during its development. This is an ongoing process that will continue throughout the year. As we engage with our community and partners to identify where we may need to deliver services differently we will ensure that we continue the process of screening these proposals to identify if there are any equality implications.

21. ENVIRONMENTAL AND ECONOMIC IMPACT ASSESSMENTS.

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

21.2 Overall, on balance the environmental assessment of the budget proposals is expected to be positive for example as the Council will operate from fewer buildings energy use will be lower and lower employee numbers will result in decreased car journeys to and from work and potentially work related journeys as we redesign services and use communication technology differently.

21.3 An economic impact assessment will be undertaken for those proposals that have a significant individual economic impact. Clearly reducing spending by the council will impact on the local economy for example through fewer people being directly employed by the Council and less business being placed by the council with local suppliers as spending cuts are made. The Council adopts a proactive business supporting and business winning approach which will reduce the adverse economic impacts caused by the Government's continuing cuts to our grant and has also set out a significant Capital Programme which will offset the impact of spending cuts to some extent.

22. COMMUNITY ENGAGEMENT AND COMMUNICATION

22.1 As outlined in section 10 of this report we have revised our approach to budget engagement to enable discussion at an earlier stage with partners regarding how we deliver our services in the future and meet our financial challenges. The focus of the 4 week budget engagement process this year has been on communicating our strategy for Service

& Financial Planning for the next 2 years to our partners and wider community. This has involved clear communication in relation to where the Council intends to spend its budget and highlights the limited number of areas for new investment. The Council's strategy was published on our website, information was provided on social media and was supported by wider media communications. People were given an opportunity to comment on these proposals by email, telephone or social media.

- 22.2 As part of our engagement process we have also commenced early dialogue with our partners in the voluntary and community sector, Town and Parish Councils and the business community. These sessions involved presentations on our Service & Financial Planning strategy and provided more detailed information about the challenges facing our Adult Social Care and Children's Safeguarding & Early Help Services, innovative approaches in these areas are key to the successful delivery of our financial strategy. The sessions also included an opportunity to consider how we might work in partnership together to develop alternative ways of continuing provision that meets the needs of our community, particularly those that are most vulnerable.
- 22.3 Some common themes were identified across these sessions including the importance of getting the basics right, creating more opportunities for relationship building and collaborative working, and an appetite for combining our resources, knowledge and expertise. Partners identified the need for us to work more closely together to explore external funding opportunities to ensure that additional funding continues to be brought into the Borough. As set out in our strategy, partners felt that it was important to focus on supporting people to help themselves and community capacity building was seen to be a clear area of focus across all sectors.
- 22.4 As outlined above, communication of the Council's Service and Financial Planning Strategy has been the start of the process of more in depth engagement that will continue throughout the year. We will use the feedback from partners to enable us to work together as specific proposals relating to service delivery are developed. Our joined up approach to equality and consultation will ensure that we engage residents appropriately in relation to proposed changes to the delivery of Council services.

23. FEEDBACK FROM SCRUTINY

- 23.1 The Finance & Enterprise Scrutiny Committee is a politically balanced committee of seven non-Executive elected members and two co-opted members. The Committee is the main mechanism by which Cabinet consults annually with scrutiny on the budget proposals.

- 23.2 The Committee held two meetings on 15 January and 23 January 2018 to scrutinise the Service & Financial Planning Strategy 2018/19-2019/20 agreed by Cabinet for consultation on 4 January 2018. An alternative budget was not put forward by the main opposition group.
- 23.3 The Committee agreed that there was nothing contentious in the budget this year as it was a two-year budget, which had been scrutinised thoroughly in 2016/17 and that the Committee's recommendation at the time, that the Adult Social Care precept should be implemented at a rate of 2% a year for three years (2017/18-2019/20) had been accepted and implemented.
- 23.4 The Committee agreed to the Council's proposal to invest in Adult Social Care and safeguarding only and not in anything else. The Council's approach to savings was supported and the use of one-off balances was felt to be appropriate. The Committee have sought additional information to understand the current position on Single Status.

24. PAY POLICY

- 24.1 The Council's Pay Policy for 2018/19 was considered at Personnel Committee on 8 February 2018. The Localism Act 2011 requires local authorities to produce an annual Pay Policy Statement. The Act requires the statement to detail the Council's policies in respect of remuneration at various tiers within the Council. The Act does not apply to local authority schools.
- 24.2 The purpose of these provisions is to provide transparency with regard to the Council's approach to setting the pay of its employees by determining:
- The methods by which pay is determined.
 - The detail and level of remuneration of its most senior staff
 - The Committees responsible for ensuring consistent application of the provisions set out in the Statement.
- 24.3 The Council's Pay Policy Statement details
- pay negotiation bodies,
 - initial allocation of pay points.
 - lowest paid employees and the ratio comparison with the highest paid officers.
 - Senior management remuneration.
 - the recruitment of chief officers
 - additions to chief officers pay
 - termination payments
 - where accountability and responsibility lies.
- 24.4 The Pay Policy for 2018/19 is included as Appendix 3 of this report.

25. ROBUSTNESS OF THE FINANCIAL STRATEGY AND LEVELS OF RESERVES & BALANCES.

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

25.2 **Appendix 11 gives a more detailed view, but overall, given the continued delivery of savings which now total almost £110m, the long-term service redesign, particularly in relation to Adults and Children's services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

26. NEXT STEPS & TIMETABLE

26.1 Once the service and financial planning strategy for 2018/19 has been approved by full Council on 1 March 2018 and the council tax resolutions have been decided, it will be imperative that considerable resource is devoted to rigorous financial management and monitoring by all managers and budget holders. All managers need to effectively and proactively manage their business. The finance service was restructured during 2017/18 which has inevitably reduced the amount of support that can be provided to service managers, the Administration and Opposition groups. Clearly, in terms of priority, capacity and time, this will be on supporting the preparation and monitoring of the Administration's budget. Managers will need to take an increased role in the financial management of their services through increased use of the Agresso financial management system and appropriate training to facilitate and support this will be made available.

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

26.3 As well as exercising tight financial control and effective financial management, managers and Cabinet Members will need to turn attention to the medium term financial strategy beyond 2019/20 in order to identify further savings and opportunities for additional income

to bridge the significant projected budget shortfalls in 2020/21 whilst accepting that as the CSR does not extend beyond 2019/20 and the Government intend to introduce major reforms to the local government finance system from 2020/21 onwards any projections for this period have a very high degree of uncertainty. Developing options for consultation will involve discussion with partner organisations, service users and the community. The Council will need to actively respond to the additional consultation opportunities offered by the Government during 2018/19 around the new local government finance system and ensure that the implications of the final changes are understood and opportunities are maximised and the associated risks are effectively managed.

27. BACKGROUND PAPERS

- LG Futures Autumn Budget briefing – November 2017
- LG Futures Local Government Finance Settlement briefing –December 2017
- BBC News Website
- Provisional and Final Revenue Support Grant Settlement Announcements – CLG Website
- Service & Financial Planning Report to Council – 2 March 2017
- Municipal Journal – 8th October 2015, article by Dan Peters, “Drop in Senior Numbers”.
- Consultation paper on proposed changes to the prudential framework of capital finance issued by the Department for Communities and Local Government in November 2017.
- Service & Financial Planning Report Cabinet 4 January 2018.

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INDEX OF APPENDICES.

Appendix

- 1 2017/18 Council Tax Comparison (at Band D) – Midlands Councils
- 2 2017/18 Council Tax Comparison (at Band D) – Unitary Councils
- 3 Pay Policy Statement – 2018/19
- 4 Savings Strategy
- 5 Overview of Savings proposals 2018/19 and 2019/20
- 6 Financing costs to net revenue stream 2017/18
- 7 Base Budget before savings 2018/19
- 8 Analysis of Base Budget Movements
- 9 Reserves and Balances
- 10 Details of education related Section 106 Agreements
- 11 CFO's Robustness Statement
- 12 Children's Safeguarding & Early Help Cost Improvement Plan
- 13 Adult Social Care Cost Improvement Plan
- 14 Summary of Savings 2018/19 and 2019/20
- 15 Efficiency Strategy 2018/19
- 16 Risk Register
- 17 Summary of Pride investments 2017/18 – 2018/19
- 18 Summary Information relating to Savings Delivered to Date