

TELFORD & WREKIN COUNCIL

**CABINET – 14 FEBRUARY 2019
COUNCIL – 28 FEBRUARY 2019**

SERVICE AND FINANCIAL PLANNING 2019/20 – 2021/22

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 2019/20. This overview report, along with other linked reports on the agenda including:-

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

form the Council's overall Medium Term Service & Financial Planning framework and sets out the service priorities and budget for 2019/20.

1.2 On 1st March 2018 the Council approved a two year service and financial planning strategy for both 2018/19 and 2019/20. The Cabinet considered their draft budget proposals for 2019/20 at the meeting held on 3 January 2019 when they were approved for consultation. A one month engagement period on the Council's proposals commenced on 4 January 2019 and ended on 3 February 2019. The details of the engagement process are summarised in the report.

1.3 This report updates the medium term financial projections and reaffirms the Council's commitment to delivering the second year of its two year strategy whilst also allocating some additional funding for investment in key priority areas including children's safeguarding and adult social care.

1.4 Key points of the strategy include:-

- Council Tax in Telford & Wrekin is currently the lowest across the Midlands region for the services that the Council provides (please see Appendix 1). This report confirms the previously agreed increase of 3.2% for 2019/20 which includes a general Council Tax increase of 1.2%, which reflects the cut to Council Tax Freeze Grant by the Government, and an increase of 2% for the Government's "Adult Social Care precept".
- Implementation of previously approved savings totalling £6.064m in 2019/20. The Council has a strong track record of sound financial management delivering a financial outturn within budget and unqualified audit opinions for over 10 consecutive years despite having to deliver £117,000,000 annual budget savings and without the need to implement any emergency spending control measures. This has, however, necessitated very active budget management and financial control by Cabinet Members and officers across the Council. The Council's external auditors have consistently reported that our arrangements for securing value for money are satisfactory.
- Despite the financial challenges that we face, it is very important that we keep finding ways to invest in our communities and in our roads, street lights and footways to ensure Telford and Wrekin remains a great place to live, work, learn, visit and do business. We will also continue to prioritise services for the most vulnerable people in our community. Investments that we will be delivering in 2019/20 include:-

Revenue:-

- £3.296m for Children's Safeguarding & Family Support to protect vulnerable children. In addition, since the January Cabinet report, an additional earmarked contingency of £0.847m has been created to fund any additional cost pressures should they arise next year. Whilst numbers of looked after children have remained broadly stable, costs of some of the placements for children with the most complex and challenging needs now exceed £9,000 per week. These investments come on top of the £0.75m for children's safeguarding built in to the budget model for 2019/20 in March 2018. A total additional investment of £4.893m.
- £0.842m for Adult Social Care services, which is over and above the £0.77m built in to the budget model for 2019/20 for Adult Social Care in March 2018.
- £0.330m to maintain existing subsidised bus routes

Capital:-

A programme of capital investments totalling more than £189m is set out in the separate Capital Strategy and Capital Programme reports

also on this agenda. Amongst the capital investments included in this programme are:-

- Over £50m for road and transport improvements,
 - Over £30m for school projects,
 - Over £28m for further investment in NuPlace, our wholly owned housing company, projects,
 - Almost £19m of investment through the Telford Growth Fund,
 - £9m for the Newport Innovation and Enterprise package – NI Park,
- To take a measured approach to the use of available one-off resources of just under £3m in 2019/20 to seek to cushion the impact of continuing Government cuts in Council funding.

1.5 When Full Council approved the two year service and financial planning strategy in March last year, it was not considered appropriate to set a detailed strategy beyond 2019/20 because the Government's current Comprehensive Spending Review, which sets the Departmental Expenditure Limits for each government department, only extends to 2019/20 and as a result The Ministry of Housing, Communities and Local Government (MoHCLG) have only issued forward funding projections for councils to 2019/20. In addition, fundamental changes to the local government finance system will be made from April 2020 but very little information is available, even now, to indicate how this new system will operate and the impacts that it will have for individual local authorities. Indeed, it is unlikely that the Council will have any real clarity on its funding for 2020/21 and later years until we receive our settlement in December 2019, less than 4 months before the start of the financial year. The changes that will be implemented will potentially have very significant implications for the Council and could include:-

- "Re-setting" the business rates system to reallocate the benefits of growth in the business rates base since April 2013 that have been retained by individual local authorities across the country,
- Increasing the proportion of business rates income retained by councils, at a national level, to 75% but at the same time terminating other funding streams for example the remaining Revenue Support Grant and Public Health Grant and/or transferring additional responsibilities to councils in order to retain "fiscal neutrality" at a national level.
- Implementing a new formula to assess the relative spending needs of all councils.

- Reviewing the New Homes Bonus system which is a significant funding source for Telford & Wrekin Council.
 - Probably also implementing a transitional system to limit the amount that any council loses or gains from the introduction of these changes in any one year.
 - Reflecting the implications of the anticipated 2019 Comprehensive Spending Review and the long-awaited Adult Social Care green paper.
- 1.6 As information on the outcomes of the Comprehensive Spending Review planned for 2019 and how the new local government finance system will operate become available, it will be possible to model the potential impacts on the Council. An early priority for the new Council Administration to be elected in May 2019 will be to identify key areas for new investment and, in all probability, significant additional savings proposals that are required in the light of the medium term financial outlook as it emerges over the remainder of 2019.
- 1.7 As there is a very high degree of uncertainty over the future financial outlook for the Council, despite both the Prime Minister and the Chancellor stating that austerity is coming to an end, it is essential to retain as much financial flexibility as possible by retaining a reasonable level of uncommitted one-off resources which can be used to support the budget pending the implementation of further ongoing savings, if these are required, and by minimising additional ongoing financial commitments as far as possible.
- 1.8 The Council has faced a very protracted period of severe financial constraint as the Government has sought to reduce the national budget deficit. The Government has protected many areas of public spending, notably the NHS, but not local government and it has been well documented that the cuts to local government have not been applied uniformly across the country but have hit areas with greater social need harder than average. The Council has already delivered £117,000,000 p.a. of ongoing budget savings which is equivalent to over £1,500 less to spend each year on delivering services for every household in the borough and almost twice the £65.9m income that the Council receives from Council Tax. The Council has sought to make these 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 by looking to find new sources of income and means to generate additional income and by working hard to identify any alternative ways to work in partnership with other local organisations to ensure continuing provision. However, it is clear that any further budget reductions are likely to have significant service impacts and may require extensive consultation with service users and the wider community.
- 1.9 Despite the significant budget savings 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.

- 1.10 The provisional Local Government Finance Settlement was announced a week later than had been expected by James Brokenshire, the Secretary of State for Communities and Local Government on 13 December 2018. The final settlement was announced on 29 January with no changes being made despite the representations made by councils and the Local Government Association. This will see the Council's Revenue Support Grant cut by 30.65% (£4.335m) next year. The £4.3m cut to our Revenue Support Grant alone is the equivalent of a Council Tax increase of just under 7% whilst we are also facing reductions to our Public Health and New Homes Bonus grants next year.
- 1.11 In the provisional funding settlement, it was announced that for 2019/20 councils would be allowed to increase Council Tax by up to 3% before a referendum was held plus any remaining headroom available in the Adult Social Care precept equal to 2% for this Council. For Telford & Wrekin, this would give a maximum increase of 4.99% next 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 next year by 3.2%. 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 they abolished them. 3.2% is also broadly in line with the current rate of inflation as measured by the Retail Prices Index (3.3% in October 2018) although higher than the CPI measure of inflation (2.4% in October 2018). 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 £117m pa have been made with further savings needed in 2019/20 as our grants from Government continue to be cut.
- 1.12 The Council is firmly of the view that encouraging councils to increase Council Tax bills is no way to deal with the considerable national pressures on funding the care of older people and vulnerable children. In Telford & Wrekin a 1% Council Tax increase raises just £0.625m 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 generally tend to have better health and more "self-funders" so lower levels of demand for council-funded care.

1.13 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, like other councils, have to make changes but we will always place priority on these essential services and will not let financial pressures due to Government cuts mean that we fail to meet the assessed statutory needs of the most vulnerable. To do this, we have also had to be innovative in identifying ways to generate more income to fund key front line services as well as seeking to address key issues for the Borough such as economic regeneration and improving housing standards in the private rented sector:-

- The total revenue benefit to the Council from NuPlace after covering all additional costs, last year was £1.238m.
- NuPlace Ltd. made a pre-tax profit of £0.343m in 2017/18, expected to increase to £0.5m in 2019/20 and has increased the availability of high quality homes in the private rented sector managed by a committed and responsible landlord. In addition, Council Tax of £0.2m is payable to the Council from the NuPlace properties and New Homes Bonus of £0.17m will be received by the Council in total based on current build projections and NHB payment arrangements.
- Our solar farm generates a surplus after paying all costs of £200k pa.
- Our Telford Growth Fund is delivering ahead of expectations, attracting new and retaining existing jobs in the borough. The total revenue benefit net of additional costs is projected to be £1.2m this year for the schemes committed to date (expected to increase to £1.5m for the schemes currently approved in a full year)
- Total income from our Commercial Services teams amounted to £19.4m. last year.

The net benefits from these investments are used to support front line services.

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 10 gives a more detailed view, but overall, given the continued delivery of savings which now total almost £117m, 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.

2.1 Members are asked to approve the following recommendations for consideration by full Council on 28 February 2019:-

1. To agree the service and financial planning strategy for 2019/20 set out in this set of reports, linked to the period of the current Comprehensive Spending Review, the local authority funding settlement from the Ministry for Housing, Communities & Local Government and the uncertainties surrounding future financial arrangements for local authorities.
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 £0.842m in to Adult Social Care services, which is over and above the £0.77m built in to the budget model for 2019/20 for Adult Social Care in March 2018.
4. To invest £3.296m more in to Children’s Safeguarding & Family Support to protect vulnerable children. This investment comes on top of £0.75m for children’s safeguarding built in to the budget model for 2019/20 in March 2018. To invest a further £0.847m in a contingency specifically to address any further cost pressures facing these services during 2019/20.
5. To invest £0.330m to be able to maintain existing subsidised bus routes

6. To continue work to deliver the budget savings totalling £6.064m in 2019/20 that were approved at Council in March 2018.
7. To take a measured approach to the use of available one-off resources of £2.961m in 2019/20 to seek to cushion the impact of continuing Government cuts in council funding and allow the level of investment required in Adult Social Care and Children's Safeguarding.
8. 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 £0.6m Partnership Capacity Fund.
9. To approve the Local Tax Support Scheme set out in Appendix 15.
10. To approve the Pay Policy for 2019/20 included as Appendix 3.
11. To approve the overall service and financial planning strategy set out in this report and the base budget in Appendix 6.
12. To approve the policy framework for Reserves and Balances outlined in Appendix 9.
13. To note the CFO's robustness statement in Appendix 10.
14. To approve the Risk Register included at Appendix 14.
15. To approve the revenue implications of the medium term capital programme for the period 2018/19 - 2021/22 set out in the Capital Strategy and Programme reports 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: Adult Social Care, 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: Governance, 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 this suite of service and financial planning reports be approved as the Council's Efficiency Strategy for 2019/20, including the summary document at Appendix 13, 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.

20. To note the initial projections for the potential budget gap through to 2021/22 and to start work in order to identify options for how this could potentially be bridged.

3.2 Final decisions will be taken by full Council on 1 March 2019 which will agree the budget and Council Tax levels across the Borough for 2019/20.

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 effectively as possible in delivering all corporate priority outcomes.</i>

	Will the proposals impact on specific groups of people?	
TARGET COMPLETION/DELIVERY DATE	Yes	<i>The proposals contained in this report will impact on specific groups of people. An Impact assessment, on the savings proposals, highlights limited equalities, environmental and economic impacts. We will screen all future savings proposals for potential equality impacts relative to the General Equality Duty and will carry out full impact analysis where appropriate, prior to any decisions being taken. Details of this screening and impact analysis process will be included in reports to Cabinet.</i>
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<i>This report sets out the service and financial planning strategy for the Council for 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 2019/20 before the 11 March 2019 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	<p><i>This report sets out the strategy framework which includes consideration of corporate risks – particularly in relation to the availability of balances.</i></p> <p><i>Environmental assessment is a procedure that ensures that the environmental implications of Council decisions are taken into account. The principle is to ensure that plans, programmes and projects likely to have significant effects on the environment are made subject to an environmental assessment.</i></p> <p><i>The Environmental Assessment aims to provide a level of protection to the environment and to contribute to the integration of environmental considerations into the preparation of projects, plans and programmes with a view to reducing their environmental impact. The environmental assessment 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 2019/20 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> <p><i>The updated Strategic Risk Register is included at Appendix 14 for approval.</i></p>
IMPACT ON SPECIFIC WARDS	Yes/No	<i>Borough-wide impact.</i>

5. PREVIOUS MINUTES.

- Full Council 4 March 2018 – Service & Financial Planning 2018/19 – 2019/2
- Cabinet 4 January 2019 – Service & Financial Planning 2019/20 – 2021/22.

6. **NATIONAL CONTEXT.**

- 6.1 When the coalition Government was formed in May 2010 they committed to eliminating the national budget deficit which required very significant cuts in public spending. Since 2010 however, 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 next year.
- 6.2 George Osborne delivered the current 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 although because there are no national Departmental Expenditure Limits beyond next year there will have to be a Comprehensive Spending Review during 2019.
- 6.3 Philip Hammond, Chancellor of the Exchequer, delivered his 2018 Autumn Budget to the House of Commons on 29 October 2018. This included some additional funding for Adult Social Care/Children’s Safeguarding and repairing potholes. However, the amounts allocated were one-off sums and much less than the Local Government Association have calculated is required to avoid further cuts to social care services.
- 6.4 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 £7.8 billion funding gap nationally by 2024/25. This comprises:-
- £3.6bn pressures within Adult Social Care (ASC) including funding required to stabilise the ASC provider market.
 - £3.0bn for Children’s services
 - £0.6bn for Public Health
 - £0.6bn for Homelessness and other services

- 6.5 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 as demonstrated in work undertaken for the LGA by the Institute for Fiscal Studies.
- 6.6 The National Audit Office (NAO) have calculated that there have been “substantial real terms falls in government funding (for local government): A 49.1% reduction between 2010/11 to 2017/18 and a 56.3% reduction by 2019/20.” The NAO have also stated that “Spending power fell steadily from 2010/11 to 2016/17 then levelled off but (at a national level) relies on substantial anticipated growth in Council Tax”. The Government are assuming that councils will increase Council Tax by the full Adult Social Care precept and to the maximum of the referendum limit – this is a direct transfer of funding local government services from central government to Council Taxpayers regardless of the ability of local taxpayers to fund these increases. As a council with a low level of Council Tax (see appendices 1 and 2) and the majority of properties in Bands A and B a 1% Council Tax increase raises significantly less than in an area which has a high level of Council Tax and has a large proportion of properties in higher Council Tax bands.

7. LOCAL CONTEXT

- 7.1 The Government’s low priority for funding 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 £117m pa. This is equivalent to more than £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 4.

- 7.3 The Council has sought to offset part of the loss of Government grant by generating income by adopting a more commercial approach from a wide range of existing services whilst seeking to recognise and manage risks as far as possible. We have sought to ensure that this approach, as far as possible, also brings environmental, social or economic benefits to our residents. 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 – primarily NuPlace was established to increase the supply of private rented accommodation in the area, to regenerate brown field sites that the Council had been unable to sell and to drive up standards in the wider private rented sector. Both of these schemes also generate a surplus after paying the capital costs 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 front line services that the Council provides to our community.
- 7.4 The Council is also committed to investing in Telford’s future. Ensuring that the Borough is an attractive place to live, work, learn 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 (between “reset periods”) 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 increase to 74% (75% including 1% for the Combined Fire Authority) 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 bringing new jobs to the Borough from inward investors but also to retain existing jobs in companies looking to expand and which may otherwise move out of the borough. The net return after debt charges will be used to support front line services as will additional retained income from business rates, between reset periods.
- 7.6 In March 2018, the Council set a two year budget strategy with specific detailed proposals for both 2018/19 and 2019/20. The Council is reaffirming its commitment to delivering the second year of this strategy which includes commitments 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 through its Partnership Deals with up to 3 year transitional funding available and further allocation of the Partnership Capacity Fund which was allocated £744k within last year's budget (and which has a current balance of £0.6m.)
- 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 £98.7k following the latest cut of more than 30% to the Council's Revenue Support Grant next year.

8. **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, learn, 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 deliver our enforcement agenda 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.**
- 8.6 In this, our twentieth year as a unitary authority, the Council is proud that, despite almost a decade of severe Government cuts:
1. We are committed to ensuring that budget pressures will never stop us from providing the care and support that is needed to keep vulnerable children and adults safe from harm and neglect.
 2. We still provide free swimming for all Under 16s at council-owned leisure centres
 3. We teach 3000 children to swim each week
 4. We've invested £4m in Telford Town Park – one of the top parks in Europe
 5. Just over 100,000 people enjoyed our Telford 50 events in 2018
 6. After significant investment, over 98% of borough homes and businesses now enjoy high speed broadband
 7. We're home to the UK's biggest overseas investment in the last decade – the new Magna Cosma factory at T54 business park - creating hundreds of new jobs
 8. 4.4m people visit Telford every year, bringing in £250m income to the local economy
 9. Despite the pressures we face, we've invested £20m in roads, paths and cycle paths as part of Pride in Our Community Programme
 10. We're investing £5.2m in LED technology in 20,000 streetlights by March 2019, saving £0.5m pa in energy costs
 11. We've been able to create over 200 protected Green Guarantee sites and designated 17 local nature reserves - You're never more than 300 metres from open green space in the borough
 12. We're helping borough towns attract more business and visitors through our Pride in Your High Streets scheme
 13. The borough has 15m trees - or 88 trees per Telford resident
 14. We recycle 45% of household rubbish
 15. Unlike most other councils, most of our council owned car parks are free, encouraging people to shop locally
 16. The Southwater development alone has created 400 new jobs
 17. £200m has been invested in our secondary schools since 2010
 18. Our Live Well Telford website helps people get the advice they need at the right time to stay independent
 19. We're helping even more people with learning disabilities move into or live in their own home
 20. 1,200 people have signed up as volunteers to support our work

9. **BASE BUDGET FOR 2019/20**

9.1 The base budget for 2019/20 (i.e. after already approved savings but before investments and other final adjustments are included) is summarised in the table below.

Service Area	<u>2019/20</u> <u>GROSS</u> <u>EXPENDITURE</u>	<u>2019/20</u> <u>GROSS</u> <u>INCOME</u>	<u>2019/20</u> <u>NET</u> <u>EXPENDITURE</u>
	£	£	£
Health & Well-Being	14,148,740	11,786,598	2,362,142
Governance, Procurement & Commissioning	9,218,000	6,444,820	2,773,180
Customer & Neighbourhood Services	105,010,585	75,701,999	29,308,586
Business, Development & Employment	14,689,257	16,121,701	(1,432,444)
Commercial Services*	38,804,376	37,759,200	1,045,177
Finance & Human Resources	20,570,481	7,306,640	13,263,841
Adult Social Care	61,511,991	20,200,029	41,311,962
Children's Safeguarding & Family Support	31,247,942	3,386,758	27,861,184
Education & Corporate Parenting	127,749,737	116,396,112	11,353,625
Co-operative Council	3,138,015	1,893,177	1,244,838
Council Wide Items	17,680,368	25,952,924	(8,272,557)
Netting off of Internal Recharges included above	(50,415,676)	(50,415,676)	0
Total	393,353,816	272,534,281	120,819,534

Contributions To/From Balances	0	434,750	(434,750)
Net Total	393,353,816	272,969,031	120,384,784

* This service area includes a wide range of services including non-commercial services such as homelessness, housing and ICT.

9.2 Budgets for Service Areas will be restated once full Council has made final decisions on the savings and investment proposals contained in this report.

9.3 Whilst there are many areas of significant uncertainty facing the Council and our financial position beyond 2019/20 (see section 11 for further details of key uncertainties) and it is therefore very difficult to make forward projections It is essential that we now use the best available information to estimate the likely level of budget shortfall in future years so that we can start to plan ahead now. The Council's budget model includes many variables and will need to be regularly updated as further information becomes available. However, using current assumptions, the position is summarised in the table below. However, it must be noted that there is a much greater likelihood than ever before that the actual position may be significantly better or worse than that set out below.

	2019/20	2020/21	2021/22
	£m	£m	£m
Projected Budget Gap presented to Council on 1 March 2018	3.157	17.345	20.401
Changes to funding assumptions - including Revenue Support Grant, Public Health Grant, Business Rates, Council Tax	-2.955	-0.332	5.574
Reductions negotiated as part of pensions negotiations	-1.188	-1.688	-1.688
Pay Inflation - taking assumptions to 2.7% in 19/20 and 2020/21 and 3% in 2021/22		0.569	0.569
Capital Programme	-0.148	0.292	0.484
New Homes Bonus updated projections	0.277	0.244	0.244
Other	-0.174	-0.065	-0.060
Updated Base Gap	-1.031	16.365	25.524
Additional Social Care Funding Announced in Budget 2018	-1.323	-2.100	-2.100
Additional Children's Safeguarding Contingency added for 2019/20	0.847	0.000	0.000
Investments:			

Children's Safeguarding & Family Support	3.296	2.404	2.254
Adult Social Care	0.842	- 0.887	- 0.887
Other Services	0.330	0.146	0.146
Current Shortfall to be covered from further ongoing savings or use of one offs	2.961	15.928	24.937

Notes:-

- The projections assume that all savings previously approved by Council are delivered in full and in accordance with currently anticipated timescales.
- 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) in 2019/20 is reflected above with no assumption currently made for any Council Tax increases in 2020/21 and 2021/22 at this stage.
- The projections for years after 2019/20 are only intended as a broad indication at this stage for planning purposes and the projections will be updated as additional information becomes available.
- The proposed use of balances in 2019/20 is prudent following the comprehensive review of available one-off resources that has been undertaken which has identified usable balances totalling £16.2m after this planned usage.

9.4 It is with this medium term focus in mind that pressures and any developments need to be considered.

9.5 After having delivered £117m of annual savings already, it is clear that further cuts will be more challenging. Officers will continue work to develop potential options to discuss with the new Council Administration following the May 2019 local elections. Clearly the Council will seek to minimise impacts on our community by working with Town and Parish Councils, local community groups, service users, the voluntary sector, volunteers and other partner organisations. Based on the position summarised above, total savings since the period of austerity began are projected to total £148.413m by the end of 2021/22 made up as follows:-

	£m
Savings made to end of 2018/19	117.482
Savings previously agreed for implementation in 2019/20	6.064
Projected further savings required in 2020/21 and 2021/22	24.937
Total Projected savings by end of 2021/22	148.483

10. OUR 2019/20 SERVICE & FINANCIAL PLANNING STRATEGY

10.1 Our 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 of the scale of ongoing annual savings that have now been delivered, it was essential that a new approach to the development of future savings proposals should be taken. Future savings are likely to be more challenging and more time will be needed to consult with stakeholders about options and ways to minimise impacts. It was therefore agreed that future savings would 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.

10.1.2 Since our last budget was agreed in March 2018 we have continued to implement this approach to our budget engagement, for example during 2018 we have carried out consultation relating to Civil Parking Enforcement and statutory consultation with Foster Carers regarding proposed changes to our Foster Carer Scheme.

10.1.3 We have commenced targeted discussions with our Town and Parish Councils during December this year. This is part of an ongoing dialogue that will continue throughout the year as our budget proposals are developed. Engagement with the business community and voluntary sector partners will commence in January 2019 and will again be part of an ongoing dialogue.

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 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. In summary the 4 core elements are:

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

10.2.3 Solving Problems and promoting Social Responsibility to reduce demand for services.

- **“Demand Management”** - ensure that resources are targeted at those residents most in need of help. This is about understanding why people use our services and keeping them out of high cost systems.
- **“Prevention”** – avoid problems which place demand on public services by encouraging people to help themselves to prevent needs developing in the first place.
- **“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.
- **“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 includes:
 - **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. The Council has a clear role in facilitating community self-help, in March 2018 we established our ‘start up’ grants which provide up to £2,000 to residents who want to set up new community groups. We also carry out DBS checks, provide information and advice on how to set up a group and have facilitated a programme of training for

voluntary organisations over the past 12 months. Promoting volunteering is also a key part of our role as we manage the volunteering website www.volunteertelford.co.uk. We help to promote volunteering opportunities for a wide range of organisations and now have over 1,000 volunteers that work with the Council to make a difference in our communities.

- **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. We have a number of programmes of work that support effective co-production, we have established a ‘Development’ grant which provides up to £10,000 to support the development of new or alternative provision that helps to reduce demand on Council Services. We are also involved in the ‘Enterprising Communities’ national pilot with Community Catalyst. This project focuses on developing community businesses within the health and social care market that help to reduce the demand on high cost Council services.

- **TWINCL** – We are aware that the voluntary and community sector are also experiencing financial pressures, therefore in June 2018 we launched TWINCL, our Local Authority Online Lottery. This lottery is currently raising money for 45 good causes in Telford and Wrekin and is on target to raise around £35,000 to be shared with these good causes within the first year of operation.

10.2.4 Challenging & Changing the way we do things

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** – to drive economic growth in order to generate jobs, increase prosperity for the residents and generate additional income for the Council from business rates and New Homes Bonus and Council Tax on new homes built in the Borough. Examples include work with the Telford Business Board and major local employers, the management of the Telford Town Centre shopping centre, house-builders and our Universities.

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.
- **“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
 - Town & Parish Councils
 - Voluntary and community sector

10.2.5 Reducing our Dependency on Government Grants.

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

- **“Increasing income through trading our existing services”** – there are many Council services that already “trade” outside the organisation and secure income. For example Finance and HR and Catering.
- **“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 £0.2m pa profit.
 - 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 74% in April 2020 subject to the implementation of the Government's business retention rate programme and resets of the system – the first expected to be in April 2020.

- **Growth Through Good Planning** - this is a whole Council approach by which all services work to support and enable business investment in the Borough.
- **Property Investment Portfolio** - a property investment portfolio delivering £7.9m 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 has kick-started building new homes on stalled brownfield sites in the borough and created new jobs. 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.

10.2.6 Being a Modern Organisation Where we Always Get the Basics Right.

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

- Increased autonomy for managers and staff to take decisions
- Greater focus on development through workforce development programmes
- Greater flexibility including wider more flexible working and job descriptions for staff.
- Encourage creative thinking and challenge
- Focus on efficiency and reducing bureaucracy
- Increased staff engagement so that employee representatives will have a greater influence in the organisation

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

- **Safeguarding our most vulnerable children and adults**
- **Health & Safety**
- **Procurement and purchasing** – ensuring that we maximise value from the services which we procure
- **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. Due to a temporary Government relaxation in regulations, the Council is also able to use new capital receipts to fund severance costs arising from the inevitable downsizing of the organisation. 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, as well as delivering wider environmental, social or economic benefits.

11.4 In Telford & Wrekin debt repayments in 2018/19 accounted for 8.2% of the net revenue budget (including payment to Shropshire Council in respect of pre-unitary authority debt). This compares to:-

○ Birmingham	35.0%
○ Unitary Authority average	9.5%
○ Shropshire	9.5%
○ Telford & Wrekin	8.2%

11.5 A graph showing the percentage of the net revenue budget allocated to debt repayments in 2018/19 for all unitary authorities is included in Appendix 5.

- 11.6 Our programme of asset sales totals £32.75m over the medium term. The planned profile of these receipts is shown below:

	£m
2018/19	11.015
2019/20	6.490
2020/21	8.340
2021/22	3.410
Later years	3.500
Total	32.755

- 11.7 Generation of these receipts is a key requirement 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 & FINANCIAL CONTRIBUTIONS

- 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 8 for the period 1st April 2018 to 31st October 2018 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 May 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 Areas of Uncertainty – Reform of the Local Government Financial System

- 13.1.1 Significant 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 funding outlook beyond next year is more uncertain than it has ever been. Radical changes are proposed by the Government to the local government finance system which will come in to effect in 2019/20. The Municipal Journal reported on 19 November 2018 that at the County Councils Network, James Brokenshire M.P., Secretary of State for Housing, Communities and Local Government said that following the easing up of austerity in the Budget, the next review would be in a 'very different context to the previous Spending Review'. However, very little advance notice of the impact of the changes to the new local government finance system is expected. It is likely that we will not have a clear idea of our financial position for the year starting 1 April 2020 until mid-December 2019. It is therefore essential that the Council maintains financial flexibility so that it is able to set a legal,

balanced budget. A reasonable level of available uncommitted one-off resources should therefore be held in reserve and additional savings proposals deliverable in 2020/21 will need to be identified for consideration by the new Administration following the local elections in May 2019.

13.1.3 The changes to the local government finance system could include:-

- A completely new formula used to assess relative needs which will impact on the distribution of available resources between councils. Initial indications are that this review may see councils with a low level of Council Tax and higher levels of deprivation losing out. The Government currently takes actual income from Council Tax into account when calculating Revenue Support Grant settlements but may in future use an assumed national level of Council Tax. Councils with an actual Council Tax below this would face a funding shortfall. These issues were highlighted recently by the Institute for Fiscal Studies (IFS) which has said that “London boroughs tend to set low Council Tax but receive generous grant funding due to high needs assessments. This means they will suffer when funding distribution across all English councils is changed in 2020, the review seems set to make councils who set low tax rates bear more of the cost themselves”.
- The move to 75% retention of business rates by local authorities (74% for the Council and 1% for the Combined Fire Authority). The Government have 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 and the remaining Revenue Support Grant and may potentially also pass additional responsibilities to councils so that the transfer is fiscally neutral at both a central and local government level. Some councils are likely to gain from these changes while others will lose and it is not currently possible to assess the impact at individual council level as there are many technical aspects of the new system that still need to be agreed. These technical aspects include:-
 - The implications of the “reset of the business rates baseline” which will see the benefits of all growth in business rates income since 2013/14 rebased across the country. This could see 100% of the growth that we have seen lost immediately or a lower percentage given up which could be phased over a number of years. Whilst we would lose the benefit from growth in our area we would benefit from a share in the growth achieved in other parts of the country.
 - The changes to the business rates system may also see changes to the treatment of appeals against the rateable values set by the national Valuation Office Agency. 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 when estimating how much income business rates may contribute towards the Council's budget.

- Any transitional damping arrangements to protect councils from the combined impacts of the changes in business rates income and the fair funding review, any protection would be likely to be funded from limiting the gains for councils that benefit from the new system.
- The New Homes Bonus (NHB) scheme is also under review. NHB has already been reduced with the introduction of a baseline threshold or assumed level of housing growth, currently set at 0.4%pa for which no NHB is paid and the duration of payments has been reduced from 6 years to 4 years. However, despite these changes, NHB is still a very significant funding source for the Council. In 2018/19 we will receive £6.2m, the proposed changes are likely to reduce the funding allocated through NHB. At a national level, this may see funding transferred from district councils so that additional support could be provided for upper tier councils e.g. to provide Adult Social Care (ASC) services.

13.1.4 The Council will continue to take opportunities to respond through all available consultation processes linked to the introduction of these changes to lobby for a fair funding settlement for Telford & Wrekin residents. The Council sent a response to the provisional settlement but no changes were made by the Government for any council other than Northamptonshire. All consultation responses will be agreed by the Cabinet Member for Council Finance, Partnerships and Commercial Services. This response will inevitably have to draw attention to the widely acknowledged inadequate funding for Adult Social Care.

13.2 Comprehensive Spending Review 2019

13.2.1 The last Comprehensive Spending Review (CSR) was undertaken in 2015 and set spending limits for 4 years through to 2019/20 which enabled MoHCLG to offer councils a 4 year RSG settlement which has assisted with medium term financial forecasting. However, there is still no indication of what funding may be available after next year.

13.2.2 The Government is due to undertake a Comprehensive Spending Review (CSR) in 2019 although no date for this has been published

and there is still no indication of what period it will cover. In undertaking a CSR the Government will update its projections for receipts from taxation, its assumptions for economic growth, inflation etc. and set out its priorities for public spending and its target for budget deficits or surpluses over the medium term. However the Government has already indicated that it will provide real terms growth for the NHS and protection for some other areas of public spending so the outlook for local government is likely to remain challenging.

13.2.3 At the time of writing, the uncertainties arising from Brexit are likely to create a high level of uncertainty over the medium term projections within the CSR. The CSR will set the Departmental Expenditure Limit (DEL) for the MoHCLG over the medium-term but will not give any indication of the funding that will be available to individual councils. The LGA is actively lobbying in advance of the CSR to highlight the projected funding shortfalls faced by councils and the need for additional funding to be provided rather than further cuts to local services.

13.3. Other areas of uncertainty include:-

13.3.1 The impact of BREXIT on inflation and the Government's deficit reduction policy and whether the economy moves in to recession with consequent impacts on the construction of new homes and business premises in the Borough, the generation of assumed capital receipt values and on Council budgets for local Council Tax support (if unemployment increases or household incomes fall), homelessness, housing benefit etc. is uncertain.

13.3.2 The possibility of more schools moving to Academisation and the consequent risk of loss of existing and potential income for a wide range of services to academy chains. Maintained schools also face an increasingly tight financial position which could impact on income levels or the ability to maintain the temporary contributions towards High Needs costs agreed for the current year.

13.3.3 The levels of demand for key front line services – particularly children's safeguarding, Adult Social Care and SEND services and whether the Government will make new additional sustainable on-going, rather than one-off, funding available for these services. The Council is expected to receive £5.5m through the "Better Care Fund" (BCF) in 2019/20. There is considerable uncertainty over this funding, and the CCG's contribution of over £6m to the BCF, beyond this year.

13.3.4 The levels of pay awards from 2020/21 after a decade of public sector pay restraint and the outcome of the pension fund triennial re-valuation to be undertaken in April 2019 and effective from 2020/21.

13.3.5 Projections of what the Council’s budget gap might be in 2020/21 and beyond are therefore extremely difficult to make and have a high degree of uncertainty. Projections will be refined as and when additional information becomes available.

13.4 Local Government Finance Settlement

13.4.1 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 as detailed below:-

	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%

13.4.2 To some extent this has assisted 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.

13.4.3 The provisional settlement for 2019/20 was announced a week later than expected on 13 December 2018 and the final settlement which confirmed these figures despite the representations made by councils and the Local Government Association during the consultation period. was announced on 29 January 2019. The 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”.

13.4.4 Whilst the Comprehensive Spending Review and Autumn Budget set the strategic financial overview for the Government as a whole over the medium term, the provisional local government finance settlement set out the specific proposals affecting local government for 2019/20 with details for each council being provided. Key issues for the Council arising from the provisional settlement include:-

- The referendum limit for unitary authorities has been set at a 3% core threshold plus any remaining headroom in the Adult Social Care precept, giving a potential maximum increase of just under 5% for this Council in 2019/2020.

- The actual amount of business rates available for the budget strategy has now been confirmed following completion of the NNDR 1 form. This has identified £0.86m additional business rates will be available to support the budget next year, over and above, what had been assumed in the January 3rd Cabinet report. It is proposed that this additional funding is used to offset the further reduction on our Housing Benefit Administration grant and to provide additional support to the Children’s Safeguarding & Family Support budget in view of growing pressures facing this service in line with national trends through the creation of a contingency specifically to help to offset any further pressures that arise next year.
- The settlement confirmed that no changes would be made to the New Homes Bonus “deadweight” allowance (for which no New Homes Bonus is payable which had been suggested as a possibility in September 2018); instead an additional £20m funding has been added to the scheme in 2019/20 to continue to reward council’s for delivering additional housing. The 2019/20 provisional grant for Telford & Wrekin announced is therefore £6.187m, which is £0.057m higher than we had estimated.
- A balance of £180m on the national business rates levy account will be distributed to all councils. The allocation for Telford & Wrekin is £0.585m which will be received in the current financial year and has therefore been reflected in the Financial Management report also on the Cabinet agenda for 14 February
- Two consultation papers have been published on the Fair Funding Review and Business Rates Retention. Consultation closes on 21 February 2019. The Council will send responses to both consultations which will be agreed by the Cabinet Member for Council Finance, Partnerships and Commercial Services.
- It is now clear **that despite extensive lobbying by the Local Government Association that the Council’s Revenue Support Grant has been cut by 30.65% for next year in cash terms.** In overall terms, the settlement information received is disappointing and means that the Council will have to continue to make very difficult choices about how it prioritises spending decisions.

13.4.5 At a national level:-

- £1.3bn will be cut from Revenue Support Grant (RSG) next year. This brings the total cut to RSG since 2016/17 to 68%.
- Total funding provided to councils from Government will have reduced from £28.1bn in 2012/13 to £18.6bn by 2019/20. The Government expects Council Tax to fund 60% of “core spending power” next year compared to 49% in 2015/16. A clear shift in how the Government expects local government services to be funded.

14. 2018/19 PROJECTED OUTTURN POSITION

- 14.1 As the Financial Management report also on this agenda shows, excellent financial control continues to be exercised and good progress is being made in delivering the overall budget for 2018/19 in very

difficult circumstances. However, there are some areas of significant pressure and clearly, the actual outturn will be different, either better or worse, than currently projected as we are only part way through the year. It is essential that all Cabinet Members and budget holders continue to exercise tight financial control and to deliver all planned savings. However, it is now clear that the Council is very likely to have a significant balance remaining in the Corporate budget contingency (currently estimated to be £7.95m) which has not previously been assumed as being available. The Financial Management report also on this agenda therefore recommends that £3.6m of this one-off funding is allocated to support investment in key community priorities with the remainder being reserved to support the delivery of future service and financial planning strategies.

15. SAVINGS PROPOSALS 2019/20

15.1 The Service and Financial Planning strategies approved for 2017/18 and 2018/19 included savings due to be delivered in 2019/20 which it is assumed will be delivered next year:-

Savings already approved in the S&FP strategy for delivery in 2019/20:-	£m
Approved in 2017/18 strategy	0.348
Approved in 2018/19 strategy	5.716
Total	6.064

15.2 Summaries of the Cost Improvement Plans for Children’s Safeguarding & Family Support and Adult Social Care are included as Appendices 11 and 12.

16. INVESTMENTS

16.1 Due to the very tight financial position faced by the Council the only new investments that have been included in the Service & Financial Planning Strategy for 2019/20 are those considered to be essential. Additional investment is required in Adult Social Care budgets in order to meet the needs of vulnerable people. This investment totals £0.842m in 2019/20 which is over and above the £0.77m built in to the budget model for 2019/20 for Adult Social Care in March 2018.

16.2 Additional investment is also required in Children’s Safeguarding & Family Support totalling £3.296m in 2019/20. A specific contingency of £0.847m for these services has also been created. These sums are over and above the £0.75m built in to the budget model for 2019/20 for Children’s Safeguarding & Family Support in March 2018.

16.3 £0.33m has also been invested to replace temporary funding for subsidised bus routes that would otherwise expire in 2019/20.

16.4 The Council has agreed a significant programme of capital investments totalling over £189m over the medium term planning period which will bring significant benefits to the Borough. These are detailed in the Capital Programme report also on this agenda.

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 lowest in the Midlands region at Band D (£1,261.20). The average Council Tax at Band D in the Midlands region is more than 14% higher than in Telford & Wrekin.

17.2 Appendix 2 compares our Council Tax to the other unitary authorities in England and shows that we have the third lowest Council Tax at Band D out of 56 unitary authorities being £169.64 less pa than the average for unitary authorities of £1430.84 which is more than 13% higher than our level at Band D.

17.3 If Telford & Wrekin Council had levied a Council Tax at the average level of Midlands authorities (£1438.87 at Band D which is £177.67 or over 14% higher than in Telford & Wrekin) in the current year, we would have an additional £8.8m to spend on local services.

17.4 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 – equivalent to a cumulative loss of over £11m by 2019/20.

17.5 The Council also believes that it 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 – a cumulative loss of over £8m for the period 2013/14 to 2019/20.

17.6 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.

- 17.7 The Council has 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% equivalent to the Council Tax Freeze Grant that the Government used to provide) in 2019/20. As explained earlier, 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 6 which shows a net base budget of £120.385m for 2019/20 before investments and additional adult social care funding of £1.323m announced in the Autumn budget giving a base budget funding surplus of £1.031m in 2019/20 – after the assumed Council Tax increase of 3.2% but before the essential new investments flagged above are reflected. Appendix 7 includes an analysis of the main changes in moving from the 2018/19 budget to the 2019/20 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 £16.26m available which could be taken in to account as part of medium term budget strategy considerations, excluding any assumption for unused 2018/19 corporate contingency, which even after the proposed one-off investments detailed in the Financial Management report also on the Cabinet agenda could increase this amount to just under £19m on current projections.
- 18.2.2 A rigorous review of all reserves, provisions and balances has been undertaken. The Government's temporary relaxation of the rules for using capital receipts meant that in January, it was possible to transfer some funding from the severance fund (as severance costs can be capitalised using new capital receipts until 2021/22) to the Invest to Save/Capacity Fund in order to support the delivery of the service and financial planning strategy. This increased the uncommitted balance in the Invest to Save/Capacity Fund to £1.54m and left £1.25m in the Severance Fund. The Government 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, which was subsequently extended to a six year period as part of the

provisional settlement on 19th December 2017. This will result in higher levels of debt than would have otherwise been the case and therefore higher debt charges 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 needs to approve an updated “Efficiency Strategy” at Appendix 13.

18.2.3 The funding released from this review gives total “usable” one-offs of £16.26m as detailed in Appendix 9 which will be used to support the delivery of the medium term service and financial planning strategy as it is developed. The level of usable one-offs gives a level of comfort that the proposals contained in this report are financially robust, given the projected levels of spending in Children’s Safeguarding and Adult Social care in 2019/20 have been fully allowed for in the proposed budget. The Council also has £11.92m of general fund funding set aside for the one-off costs of implementing single status which may not all be required and which certainly won’t be required in 2019/20 giving additional potential flexibility if required. Having adequate uncommitted one-off resources is particularly important as the significant benefits obtained in recent years from treasury management activities cannot be assumed to be available in later years as the Council starts to “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 and future year budgets will therefore be under even greater pressure.

18.2.4 The Partnership Capacity Fund has a current balance of £0.611m. This funding is set aside to be used for community grant programmes such as those outlined earlier in this report, to support the development of volunteering schemes and to develop capacity within the voluntary sector.

18.3 Risk Management and Financial Resilience

18.3.1 Local Government has faced unprecedented financial challenges since 2010 and the Council has faced significant grant cuts at a time when demand for many services, such as safeguarding vulnerable children and adults, have been increasing. We are also in a period of considerable financial uncertainty with changes to the Local Government finance system due to be implemented in April 2020 and currently no national Comprehensive Spending Review figures from the Government beyond 2019/20. As an organisation which provides a vast range of different services to the community and spends over £470m per annum financial resilience and risk management are very important considerations when setting the Service & Financial Planning Strategy.

18.3.2 The key elements underpinning the Council’s Financial Resilience are:

- **Setting a robust budget strategy which is deliverable and sustainable**

- ✓ The Council has a proven track record of strong financial management, with no overspends over the past 10 years and has consistently received an unqualified audit opinion from its external auditors
- ✓ The Council has successfully delivered £117m savings since 2009/10
- ✓ Although very challenging, many savings have been phased over a number of years to allow adequate time for full consideration, consultation and implementation
- ✓ 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; bids are subject to a rigorous business case development and approval process
- ✓ 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
- ✓ Where required, additional investment has been included in the budget, £0.842m additional investment in Adult Social Care has been allowed for in 2019/20 and £3.296m additional investment in to Children's Safeguarding & Family Support has been built in to the 2019/20 budget to support Looked After Children
- ✓ Provisions are included in the accounts where required, to safeguard against potential costs, for example for bad debts and NDR Appeals.

- **Strong and Effective Financial Management**

- ✓ A robust risk based financial monitoring regime is in place to identify any adverse variances early so that corrective financial management action can take place. Additional in year savings targets have been delivered when necessary in recent years to meet service pressures.
- ✓ The projected financial outturn for 2018/19 currently shows a considerable amount of contingency should be available at year end.
- ✓ Cost Improvement plans are in place to focus on Children's Safeguarding & Family Support and Adult Social Care, areas of high demand and high cost. These are monitored on a regular basis by Senior Managers and Members.
- ✓ 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.

- ✓ Decisive corporate action is taken on a timely basis to manage the Council's overall resources in order to address pressures as they, inevitably, arise during the year given the complex disparate range of services provided by the Council.

- **Strong & Effective Capital & Treasury Management**

- ✓ 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 and in extreme circumstances the Minister may authorise an application for a capitalisation direction.
- ✓ There is an effective Treasury Management Strategy, also included in this suite of Service & Financial Planning reports which aims to maximise returns for the Council while minimising risks with a solid long track record of exceeding targets set.
- ✓ Long term interest rates are allowed for in the budget projections despite, at the time of drafting this report, holding a high proportion of the debt portfolio in short term loans running at rates below 1%. This enables the Council to lock in to longer term fixed rate loans when advised to do so by our external Treasury Advisors without impacting on the medium term financial projections included in this report.
- ✓ Treasury management decisions are managed at a 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.
- ✓ All capital and revenue investment 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.

- **Reserves & Balances**

- ✓ The Council has General Fund and Special Fund balances as a safeguard against unforeseen costs. 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.

- ✓ One-off resources will be retained to provide financial flexibility due to the high degree of uncertainty over the future financial outlook.
 - ✓ 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.
 - ✓ Contingencies have been built into the budget: a general contingency of £3.0m in 2019/20 with a further £1.1m for inflation;
- **Strategic Risk Management**
 - ✓ The Council has a strategic risk register which is used to identify the substantive issues which may impact negatively on the delivery of the Council's priorities and may also have a financial impact. This is regularly reviewed by Senior Management Team to manage risks and mitigate potential exposures both as part of everyday business and as part of decision making processes.
 - ✓ The updated Strategic Risk Register is included as Appendix 14 of this report.

Reducing Dependency on Government Funding

- ✓ A key focus of the budget is on income generation, thus reducing the Council's reliance on Government Grant in the future making the Council more financially independent but also more subject to economic cycles.
- ✓ 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 the major changes to the system expected in 2020/21 and periodic resets of the system.
- ✓ The Council has adopted innovative ways to generate income such as from Nuplace, its wholly owned housing company, the solar farm and the Telford Growth Fund. Surpluses from these investments support front line services as well as providing wider environmental, social or economic benefits.

- ✓ The Council has a long track record of achieving good performance against income collection targets for Council Tax, Business Rates and other income. The Revenues team won the national IRRV award for unitary authority revenues team of the year in 2018.
- **Insurance Arrangements**
 - ✓ Appropriate insurance arrangements are in place to safeguard the council's assets and protect against liabilities.
- **Experienced Finance Team**
 - ✓ The Council employs an in-house Finance team who work closely with service managers developing good working relationships and understanding of the issues and pressures facing services.
 - ✓ The Council's Finance team includes a good mix of qualified accountants, accounting technicians and other staff with extensive experience built up in the Council, in other public sector organisations and the private sector.
 - ✓ The Council makes sufficient resources available to the Section 151 Officer to enable comprehensive financial management controls to be maintained.
 - ✓ The Council employs an experienced S.151 Officer who is a member of the Council's Senior Management Team reporting directly to the Managing Director.
 - ✓ Regular Financial Management reports are produced for and considered by the Senior Management Team and for Cabinet and appropriate action taken to manage pressures as they arise.
 - ✓ Specialist external knowledge is commissioned for specific projects where appropriate.

18.3.3 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 2019/20 and also in 2020/21 and 3% for 2021/22. 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 9 years of considerable pay restraint which have seen the pay of council employees cut in real terms by over 26% (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 and competitive 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.

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. A considerable amount of work has been undertaken, including developing a comprehensive local Job Evaluation scheme. Work is progressing with the trades unions to ensure that the local job evaluation scheme has been applied in a fair and consistent way. Phase one of this work has been completed and work on Phase two which covers school based employees is currently underway. However, this is an important process which takes time to complete accurately and it is unlikely that we will move on to the final phase for small groups of corporate roles until late 2019.

18.5.2 An allowance for the additional ongoing costs arising from single status has been built in to the budget for 2020/21 of £0.317m rising to £1.270m in 2021/22. 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 also in the context of introducing a local job evaluation scheme that is expected to 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. As work progresses on the project it will be possible to assess how appropriate this level of one-off resource is.

19. PAY POLICY

19.1 The Council’s Pay Policy for 2019/20 is included as Appendix 3. This was not considered at Personnel Committee this year because there were no proposed changes to the policy. 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.

- 19.2 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.
- 19.3 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.
- 19.4 The Pay Policy for 2019/20 is included as Appendix 3 of this report.

20. EDUCATION FUNDING – DEDICATED SCHOOLS GRANT

- 20.1 Dedicated Schools Grant (DSG) in 2019-20 will be allocated using four blocks:
- 20.2 **Schools Block £117m** - funding for all mainstream primary and secondary schools via a local funding formula, although this may be changed to a national school level formula after 2020/21. This is as expected based on the draft census numbers we had and the previously announced amounts per pupil. The amount in the block has increased by around £6m compared to 2018/19, due to more pupils, an increase of around 2.7% in the funding per pupil and some additional funds for growth. The 2.7% increase is due to Telford & Wrekin school funding being gradually brought up to the National Funding Formula (NFF) level – a further increase of just over 1% per pupil would be required for the funding to reach the NFF.
- 20.3 **High Needs Block £22m** - which funds Special Educational Needs (SEND) placements and support, special schools, pupil referral units and other alternative provision. Up to and including 2017/18, local authorities could move funds between the Schools and High Needs blocks without a requirement for specific School Forum approval. Since 2018/19, DfE rules mean that up to 0.5% of the Schools Block can be moved to high needs, but only after consultation with all schools and then a Forum vote in favour. The forum supported such a transfer in 2018/19 and for 2019/20. For Telford & Wrekin 0.5% represents around £586,000. On 16th December the Government announced an additional allocation of £350m to support High Needs, this included a

further £100m to top-up the Special Provision Capital Fund for new places and improved facilities, and £250m of revenue funding. An additional £0.84m of revenue funding (included in the total block amount above) has been allocated to Telford & Wrekin split equally across 2018/19 and 2019/20, detailed capital allocations are yet to be published.

- 20.4 High Needs is an area of significant financial pressure in Telford & Wrekin, as well as many other Local Authorities, due to the upwards trend in the number and complexity of children and young people with high needs and a reduction in the financial flexibility to respond to these pressures. A number of strands of work are underway to identify strategies to deal with this situation.
- 20.5 **Early Years Block £12m** – funding for free entitlement provision for 2, 3 and 4 year olds. Since September 2017 publicly funded provision has 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 per child amounting to around 8% for Telford & Wrekin in 2017/18, but no further increase per child since then. Cost pressures impacting upon settings include the year on year increases in the minimum (or national 'living') wage. This is a provisional allocation which will be adjusted later in 2019/20 based on actual pupil numbers in place in January 2019 and January 2020.
- 20.6 **Central School Services Block £1m** - funding for Local Authority central services, which in the main are statutory. The Education Services Grant (ESG) ceased at the end of August 2017 and the Government created this new DSG block specifically for central services. However, the amount allocated is far lower than the previous ESG and Local Authorities need to get line by line Schools Forum approval for any funds used to fund central services, despite these services being statutory responsibilities of the local authority.

21. EQUALITY IMPACT ASSESSMENT

- 21.1 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.

- 21.2 Our process involves carrying out an initial scoping exercise to determine which budget 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.

22. ENVIRONMENTAL AND ECONOMIC IMPACT ASSESSMENTS.

- 22.1 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.
- 22.2 Overall, on balance the environmental assessment of the budget proposals is expected to be positive for example as the Council operates 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.
- 22.3 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 help to reduce the adverse economic impacts caused by the Government's continuing cuts to our grant and has also set out a significant Capital Programme – please see the Capital Strategy and Capital programme reports also on this agenda which will offset the impact of spending cuts to some extent.

23. COMMUNITY ENGAGEMENT AND COMMUNICATION

- 23.1 As outlined earlier in 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 next year to our partners and wider community. This has involved clear communication in relation to where the Council intends to spend its budget and highlighted 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.
- 23.2 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 we face around our Adult Social Care and Children's 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.
- 23.3 Some common themes were explored across these sessions including sharing examples of how partners are already supporting the delivery of the Council's priorities and how the Council can work with partners to continue to support this good practice. An ongoing theme continues to be a focus on collaborative working and ensuring that we are all making the most of the limited resources we have. The importance of an ongoing dialogue was also identified.
- 23.4 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.

24. FEEDBACK FROM SCRUTINY

- 24.1 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.

- 24.2 The Committee held two meetings on 8 January and 21 January 2019 to scrutinise the Service & Financial Planning Strategy 2019/20 – 2021/22 agreed by Cabinet for consultation on 3 January 2019.
- 24.3 An alternative budget was not put forward by the main opposition group.
- 24.4 The Committee would like to thank the Cabinet Member for Finance, Commercial Services and Economic Development and the Chief Financial Officer for their presentation and answering questions to assist the Committee in its deliberations. The Committee also thanks those Officers involved in providing written responses to a number of questions raised.
- 24.5 The general consensus of the Committee was to support the administration's budget approach in light of the lack of clarity around funding for 2020-21 and beyond. In particular, the Committee made the following observations and expressed concern around the following areas of government funding:-
- (a) Since the Council had assumed responsibility for Public Health from April 2013, there had been a cut to the underlying grant in all years from April 2015 and the grant next year would be cut by £0.3m again in cash terms. Members expressed concern that a reduced grant would be detrimental to the realisation of the national and local ambition for the prevention agenda and asserted that proper funding was required from government for these responsibilities.
 - (b) Adult Care continued to be financially challenging, not just for Telford and Wrekin but for local authorities across the country, and the Committee keenly awaited the adult social care green paper proposals and a debate on funding long term social care.
 - (c) The Committee recommended that Cabinet reinvigorate the lobby to the Office for National Statistics with regard to the population undercount (around 4000 people) which under the current system equates to a loss of grant of around £1.2m per annum.
- 24.6 The Committee supported the intention to make maximum use of the powers conferred by the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 to encourage owners of

properties that have been empty for a long time to bring them back in to use.

25. COUNCIL TAX SUPPORT POLICY 2019/20

25.1 We last consulted on our Council Tax Support Policy in 2016 when we proposed that the current scheme would stay in place until March 2020, unless Government Policy changes significantly. As there have been no major changes in Government Policy we are not proposing any local changes to the scheme for 2019/20 that will affect entitlement, although there are some small technical changes required to keep the scheme functioning in line with the wider welfare benefits system changes, particularly with the introduction of Universal Credit.

25.2 Since 2015/16 a £30,000 Hardship Fund has been approved each year by Cabinet. The Council Tax hardship scheme has been invaluable in providing additional support to the most vulnerable customers, and it is therefore recommended that this scheme be funded for a further 12 months at a cost of £30,000

26. STRATEGIC RISK REGISTER

26.1 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 14, 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 the Senior Management Team to manage risks and mitigate potential exposures both as part of everyday business and as part of decision making processes.

27. 6 MONTH PERFORMANCE UPDATE.

27.1 Appendix 16 provides an overview of the progress made delivering the Council’s community facing priorities. These performance measures are used to monitor the progress, as well as impact of service change and redesign.

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

28.1 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.

- 28.2 **Appendix 10 gives a more detailed view, but overall, given the continued delivery of savings which now total almost £117m, the long-term service redesign, particularly in relation to Adults and Children’s services, the commercial approach being adopted, and the investment being made in the borough, it is considered that the Council is pursuing a sound financial strategy in the context of the most prolonged and challenging financial position it has ever faced due to the combined effect of Government grant cuts and increased service pressures.**

29. NEXT STEPS & TIMETABLE

- 29.1 Once the service and financial planning strategy for 2019/20 has been approved by full Council on 28 February 2019 and the Council Tax resolutions have been approved, 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. 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 continues to be made available.

- 29.2 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 financial system that was imposed by the Government during 2013/14. As made clear earlier in the report there is a very high level of uncertainty about how the CSR2019 and the new local government finance system to be introduced from April 2020 will impact on the Council.

- 29.3 As well as exercising tight financial control and effective financial management, managers and Cabinet Members will need to continue working together to identify further savings and opportunities for additional income to bridge the significant projected budget shortfalls in 2020/21 and 2021/22. 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 2019/20 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 as far as possible.

30. BACKGROUND PAPERS

- LG Futures Autumn Budget briefing – October 2018
- LG Futures Local Government Finance Settlement briefing –December 2018
- Municipal Journal article by Heather Jamieson “Brokenshire: 2019 will be turning point for local government” published 19 November 2018.
- BBC News Website
- Revenue Support Grant Settlement Announcement – CLG Website
- Service & Financial Planning Report to Council – 1 March 2018
- Service & Financial Planning Report to Cabinet – 3 January 2019

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